



Mali Finance

2004 - 2005 Annual Report



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2004 - 2005 Annual Report

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ACRONYMS

ACOD	Association Conseil pour le Développement Nyètaaso
AEG	Accelerated Economic Growth
APIM	Association Professionnelle des Institutions de Microfinance Mali
BCEAO	Banque Central des Etats de l’Afrique de l’Ouest
BDS	Business Development Services
BICIM	Banque Internationale pour le Commerce et l’Industrie du au Mali
BMS	Banque Malienne de Solidarité
BNDA	Banque Nationale de Développement Agricole
BOA	Bank of Africa
CAECE	Caisse Associative d’Épargne et de Crédit
CAS/SFD	Cellule d’Appui au Secteur des Structures Financières Décentralisées
CMDT	Compagnie Malienne de Textiles
CNPI	Centre National de Promotion d’Investissement
COP	Chief of Party, Mali Finance Project
CTO	Cognizant Technical Officer, USAID/Mali
CVECA	Caisses Villageoises d’Épargne et de Crédit Autogérées
DCA	Development Credit Authority
DCOP	Deputy Chief of Party, Mali Finance Project
DOT	Dourey Tombouctou, microfinance institution in Tombouctou
FCFA	Franc CFA
FCRMD	Fédération des Caisses Rurales Mutualistes du Delta Niono
FENACOM	Fédération Nationale des Consultants au Mali
GIS	Geographic Information System
GRM	Government of the Republic of Mali
IEHA	Initiative to End Hunger in Africa
IPA	Investment Promotion Agency
IR	Intermediate Result
MFI	Micro Finance Institution
MIGA	Multilateral Investment Guarantee Agency, the World Bank
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium-size Enterprise
NGO	Nongovernmental Organization
ON	Office du Niger (Niger Office)
PMP	Performance Monitoring Plan
PRODEPAM	Programme de Développement de la Production Agricole au Mali
SA	Société Anonyme
SABA	Solidarité pour l’Auto-Promotion à la Base
SME	Small and Medium-size Enterprise
SO	Strategic Objective
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

Objectives

USAID Mali's Accelerated Economic Growth Strategic Objective (SO 9), one of four interrelated strategic objectives, focuses on increasing productivity as well as incomes in selected agricultural sectors. The corresponding economic growth strategy is to concentrate on increasing access to irrigated land to improve targeted commodity production, as well as improving the marketing of agricultural commodities for which Mali has a comparative advantage, such as potatoes, mangoes, rice, and livestock production.

The Mali Finance Project's objective is to link agricultural production and marketing by increasing the access of agricultural producers, processors, traders, and input suppliers to financial services through three sub-intermediate results: 1) increase the provision of business development services; 2) increase investment opportunities; and 3) increase access to financial services for all populations.

During the second year of the project, we made significant headway in achieving our objectives despite several challenges. These included replacing the original Chief of Party in April and shifting from the supply-driven business development services (BDS) to a focus on market demand for financial services. The project made a significant effort to improve internal and external communications as part of a new organizational structure that emphasized a change in management approach and the introduction of a new knowledge management and project integration component. A modified Performance Monitoring Plan (PMP) approved in July 2005 sharpened the focus on results tied to specific project interventions. The results are evident. Out of the 11 indicators that Mali Finance currently reports on, eight were achieved at 100 percent or more, one was achieved at 93 percent, another one at 75 percent and only one indicator lagged behind, with an achievement level of 60 percent.

Mali Finance achieved these results by implementing activities along agricultural commodity value chains to strengthen the links between supply of financial services and rural and agro-enterprise demand. Lessons learned working with Prodepam on production and TradeMali on marketing will be further developed in the coming year. Delivery of BDS services took on a more sustainable and cost effective approach, establishing new partnerships with rural NGOs and the Peace Corps to deliver training, in addition to our established BDS partners to more effectively reach rural micro and small entrepreneurs. In addition, Mali Finance worked effectively with the Multilateral Investment Guarantee Authority, in conjunction with the GRM, to advance the establishment of the new Investment Promotion Agency (IPA). The IPA will take on the challenge of attracting foreign direct investment into critical new commercial projects, such as upgrading carton manufacturing to meet international agricultural quality standards.

All project activities now emphasize gender mainstreaming as a critical component of sound economic development. There is a clear need to do this. Women beneficiaries of microfinance loans varied between 25 percent and 50 percent, with two of the key constraints being women's lack of education and the difficulty of holding title to land. Closer collaboration with partners along with our strategy to provide business training through partner NGOs and Peace Corps

Small Enterprise Development volunteers is expected to increase these numbers in the third year of the project.

What Worked Well

Increase the Provision of Business Development Services

In its second year, the project achieved 93 percent of its target to boost the number of BDS services purchased through partner BDS providers by entrepreneurs in targeted areas (from 58 to 117). While we are pleased with this result, we can do better. Mali Finance is working with a group of 20 qualified providers who were selected from an initial pool of 200. They received extensive training and can now offer high quality services to small entrepreneurs and representatives of financial institutions, other BDS providers, and promoters of large investment projects.

During the first two years of the project, Mali Finance used BDS providers and local consultants through a cost sharing arrangement to assist in diffusing BDS best practices. For the third year, we plan to work with local NGOs to ensure that we have a greater presence on the ground in areas where our assistance is most needed in a more cost effective way that improves outreach. This will allow us to serve our SO 9 partners, Prodepam and TradeMali, in the agricultural and rural areas where they work.

This new approach will also permit us to work more directly with smaller agro-entrepreneurs, to help them have greater access to finance. We will continue to work closely with our BDS providers, in helping them to develop their market and expand their business by linking them with other projects and entrepreneurs. Through our BDS providers and new NGO partners, we hope to spread training modules — such as Micro Plan, a basic business planning model, and ComptEx, an accounting package — to an even greater geographic zone and more beneficiaries.

Increase Investment Opportunities

During the second year of the project, activities related to financial institutions and investment promotion were combined into a single component to advance an integrated financial systems approach to developing Mali's financial sector. This combined component gives technical assistance to government bodies, small-scale MFIs, large national MFI networks, commercial banking institutions, and entrepreneurs seeking access to finance. Mali Finance was able to assist in developing five investment opportunities for private promoters during this past year, two more than the target.

To measure Mali Finance's efforts to build the government's capacity to promote investment opportunities in Mali, a set of milestones were developed to track activities for different phases in the creation, development, operation, implementation, and execution of the new investment promotion agency. The Initial Development Phase, which covers the second year of project implementation, consists of nine separate activities. All but one of these activities, including approval of the texts for the law and decree for creating the new IPA by the Cabinet of Ministries, were achieved in the second year of the project.

Increase Access to Financial Services for all Populations

The project exceeded its target of providing loans to agro-entrepreneurs accessing credit through banks in targeted areas. The ten loans provided to agro-enterprises through banks in Mali from 2004-2005 were all developed through the technical assistance of BDS providers. These loans, totaling more than 108 million FCFA (about US\$215,000), were disbursed to eight cooperatives and associations (comprised of both men and women) and two individual women entrepreneurs. The loans funded the production, breeding, and marketing of cereals, livestock, small ruminants, potatoes, and other locally produced products. In addition, due to the efforts of Mali Finance, two investment projects (with Partenaire Agricole and Markala SA) were realized in 2004-2005. Finally, the number of loans provided to entrepreneurs accessing credit through microfinance institutions in targeted areas, exceeded its target by 160 percent (from 203 to 589).

To increase access to financial services to all populations, Mali Finance worked with two of the largest Malian microfinance network institutions, Kafo Jiginew, and Nyesigiso, with branches throughout the country. The Kafo network added 20,000 members to its clients' based during this past year. The Nyèsigiso network, which continues to expand into more regions of Mali, has realized a level of savings that reflects the average growth of the sector; this is a good result. The project also gave assistance to a number of small MFI institutions in the northern region of Mali, especially to Dourey Tombouctou (DOT) in Tombouctou, which was able to distribute 141 loans, and Nayral Nef in Douentza, providing technical advice to help it operate independently. Efforts were started to give assistance to MFIs in Kidal and Gao to help them expand their services and client base.

To have an impact on the number of loans given out and the quality of loan applications from MSMEs, it has been necessary to improve the knowledge of the financial institutions' representatives, as well as upgrade their clients' skills in basic accounting and good financial analysis. This has allowed the project to have an impact in the short term and to encourage longer-term changes in the behavior and actions of entrepreneurs in Mali.

Strengthening the capacity of financial institution representatives, through training provided by the project, has enabled them to offer better services, thereby increasing the number of MFI clients. For example, the training provided by Mali Finance was the first most partner microfinance institutions had received in basic accounting for MSMEs, giving simple tools to credit agents that they can transfer to their clients. When clients know microfinance institutions use financial criteria for their decision making process, they not only adjust their behavior, but also change their perception of the level of professionalism of their credit agent, and develop stronger relationships and trust.

Opportunities

Mali Finance could do a better job of combining project efforts and resources, which sometimes will also mean shifting priorities to serve other projects. Flexibility in developing activities is essential to achieving scale in improving access to financial services. Additional efforts will be made to seek out opportunities for synergy with other USAID projects relating to governance,

education, and health, as these activities contribute to an environment in which economic growth can flourish.

The northern region of Mali will remain a major emphasis for the next year, even though opportunities continue to be limited in this region. The fusion of the DOT and Nyèsigiso network should be realized during this year, which would enable our partners to increase access to finance in the strategic Tombouctou region.

For the microfinance sector, we have introduced the globally accepted practice of performance ratings for microfinance institutions and are working to encourage all the major microfinance institutions in Mali to participate in a rating exercise, in conjunction with USAID and other donors. This will have a major impact on the mentality of microfinance stakeholders in Mali and prepare them to attract external financing and investment.

The third year of the project is likely to see more government interaction, mainly with the Ministry of Investment Promotion and Small and Medium Enterprises. Mali Finance will play an important facilitative and advisory role in the creation and start up phase of the new IPA, which will be crucial in the government's ability to attract essential foreign direct investment into private sector agricultural enterprises needed to build the future of Mali and its people.

SECTION 1 – CONTEXT

1. Introduction

The Mali Finance project is a three-year activity, with two option years. It is funded by the U.S. Agency for International Development (USAID) and implemented by Chemonics International as prime contractor, in partnership with the Malian private sector and various ministries and departments of the Government of Mali. The activity, launched in September 2003, aims to contribute directly to USAID/Mali's economic growth strategy.

Agriculture is the foundation of the Malian economy. Approximately 80 percent of the population of Mali depends for their lives and livelihoods on agriculture, which contributes 42 percent of the GDP. Despite an immense potential for irrigation, Mali continues to depend largely on rain-fed agriculture with high risks of drought and flooding, leaving enormous food insecurity concerns and under achievement of domestic and international trade opportunities.

To address these issues, the USAID/Mali's economic growth strategy is focusing on increasing access to irrigated land to improve production and marketing agricultural commodities for which Mali has a comparative advantage, which in turn increases the income of Malian agro-entrepreneurs.

Mali Finance's objective is to increase the access of agricultural producers, processors, traders, and input suppliers to financial services. The project works all along the commodity value chain in conjunction with TradeMali and PRODEPAM, to strengthen the financial services sector working to achieve three sub-intermediate results:

- Provision of business development services increased (IR 3.1)
- Investment opportunities increased (IR 3.2)
- Increased access to financial services for all populations (IR 3.3)

Mali Finance technical components design and carry out activities that ensure access to finance for small and medium-size enterprises (SME) by providing business development services, creating better conditions for investments through policy and legal reforms, and supporting the availability of microfinance services to entrepreneurs throughout the country. Several overarching themes, such as gender mainstreaming and promoting economic growth in the northern region of Mali, are integrated into project activities.

1.2 Project Management Approach

The second year of the project produced significant progress toward our objectives in the midst of six important challenges:

- Replacing the original Chief of Party (COP) in April, whose primary area of expertise was investment banking;
- Ensuring that the new COP, a technical expert, would be supported in the administrative and management areas by a strong candidate who would complement him;

- Maintaining momentum and building on existing partner relationships with a smooth transition of technical activities focused on achieving results in the modified PMP, approved in July 2005;
- Broadening activities to strengthen SME financing to the missing middle and renewing support for the new Mali investment promotion activities that incorporate strong cross-cutting linkages with Prodepam and TradeMali, as well as with other USAID/Mali projects;
- Rationalizing budget expenditure consistent with available resources and priority impact areas; and
- Improving communication and integration with USAID and other partners on all aspects of the project's activities, reporting, and information sharing.

To address these challenges, we reengineered the organizational structure to emphasize close internal collaboration between four central functions. These included understanding and promoting the MSME market demand for financial services (BDS); encouraging and supporting the supply of financial services to all sectors of the economy (Financial Institutions and Investment Promotion); strengthening administrative controls and systems for administering the project (Operations); and increasing project integration support and communications (Knowledge Management).

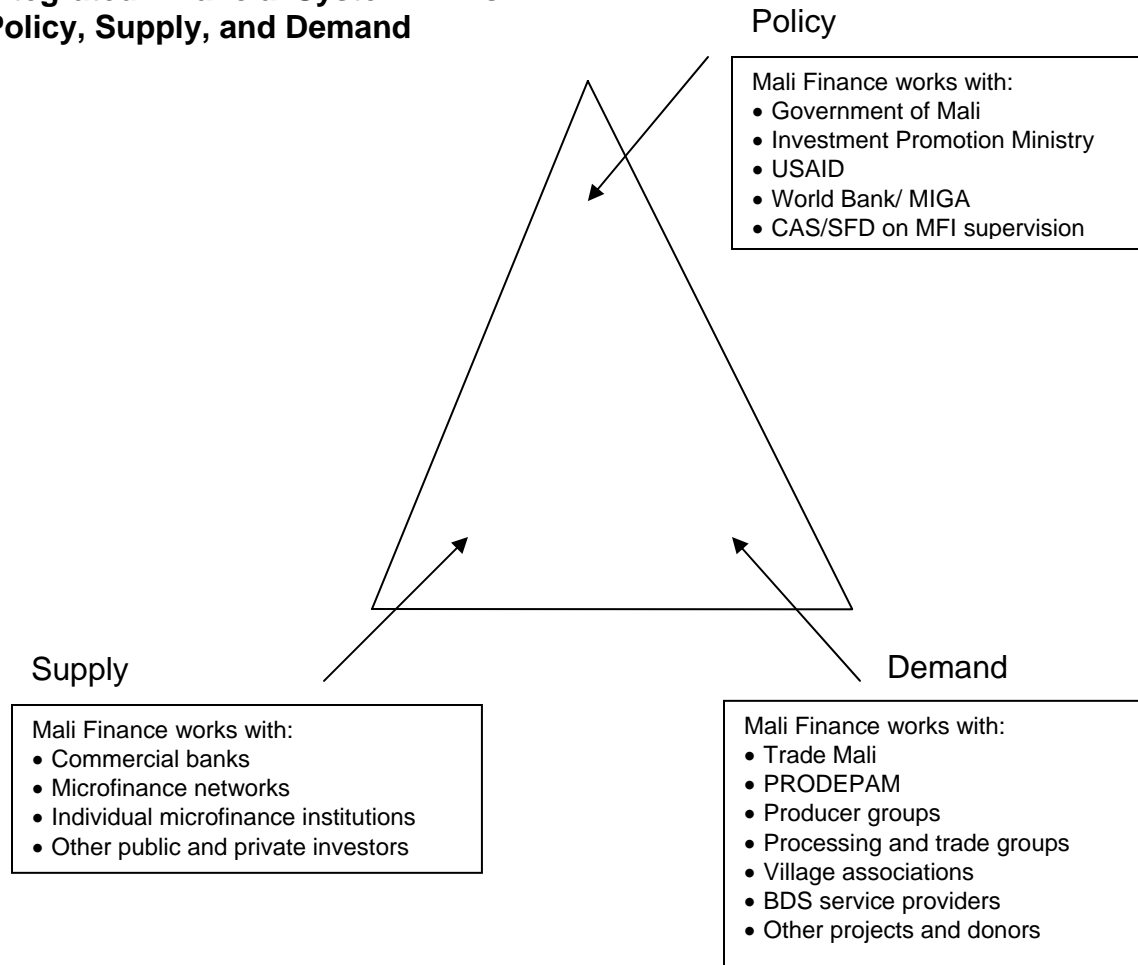
Based on lessons learned, new priorities have been set to improve internal and external project communications, information sharing, and dissemination of project findings, including an improved monitoring and evaluation system based on a revised PMP. As part of the project integration process, 'the North' is now an important integral part of all technical components, rather than a standalone component. Effective progress has been made in developing and carrying out specific activities with partner organizations, especially Prodepam and TradeMali. Progress is also being made to develop cross-cutting activities with other USAID/Strategic Objective teams and their implementing partners.

As part of the new Mali Finance management and organizational structure, Jean Francois Guay was approved as COP in May and a new Deputy Chief of Party/Knowledge Management specialist, Susan Cantella, was approved in June. The new structure allows the project's technical assistance team to respond more rapidly and flexibly to USAID to evolving requirements within the economic growth strategic objective.

1.3 Technical Approach

Many of the links that bind an integrated financial system together fail to function smoothly in Mali. The objective of Mali Finance is to understand and strengthen those links. It achieves this by working with the Government of the Republic of Mali (GRM) on policy issues related to interest rates, taxes on bank interest earned, investment promotion policy, supervision and support for microfinance institutions, and related policy and regulatory issues.

Integrated Financial System Links Policy, Supply, and Demand



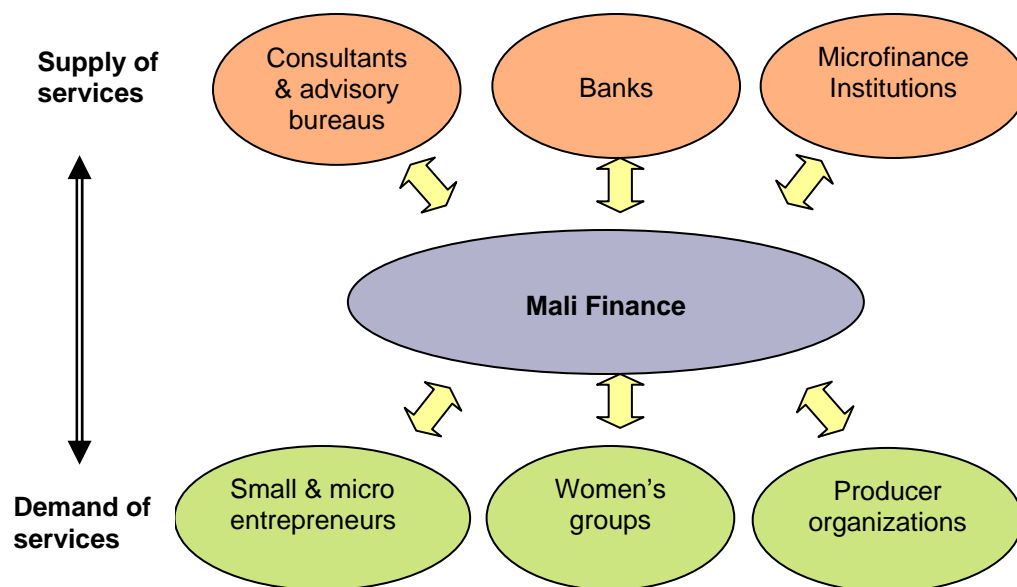
On the supply side, Mali Finance provides information to partner financial institutions about the demand for financial services, delivers training in how best to meet that demand, and develops tools that build skills and capacity in conducting financial analysis so that the banks and MFIs can make informed credit decisions.

Each time Mali Finance, with its partners, takes a project or policy through the financial system triangle of consultations, negotiations, training, and technical assistance, stakeholders' knowledge and capacity is strengthened. Over time, the system as a whole begins to function in a smoother and more integrated way. As stakeholders' skills and capacity increase, Mali Finance will be able to reduce its involvement and leave a functioning and integrated financial system behind.

On the demand side, Mali Finance conducted a demand assessment during the first year of the project and used that to design and deliver a range of business development training courses. Ongoing BDS services will be provided through partner NGOs working in each sector and by facilitating business opportunities for the 20 principal BDS service providers Mali Finance has

trained. Close ties are maintained with USAID's agricultural promotion projects, Trade Mali, and Prodepam, to generate new and sustainable demand for agricultural financing, and technical assistance is provided to develop the financial plans for identified agro-processors and producers. Completed plans are taken to appropriate financial institution where Mali Finance plays a key facilitating and even negotiating role.

In carrying out its activities, Mali Finance brings multiple stakeholders together, facilitating links and capacity building in a sustainable manner that will permit the project to withdraw, ultimately leaving a healthier flow of financial services.



1.3.1 Business Development Services

At the start of the project, 200 services suppliers, who provided a vast selection of services, were known to exist in Mali. The general characteristics of these suppliers showed that:

- Most suppliers tend to be generalists rather than specialists. They provide the same classic accounting services for all businesses and do not use adapted and/or simplified methodologies for SMEs.
- Suppliers are often only interested in winning the most interesting market share regardless of the demand. They offer services subsidized by donors or requested by private operators who can pay high fees for their services.
- The agro-entrepreneur is not the suppliers most favorite services target group. Surveys show that suppliers generally provide services to commercial business owners with money who are based in the urban areas.

The demand for business development services comes from agricultural SMEs, women's groups, and farmer organizations, with the following characteristics that our target population does not bring to the table:

- Insufficient sustainable demand: the number of small entrepreneurs, women, and producers who can pay for the requested services without subsidies or financial aid is limited, if not non-existent.
- Limited educational level: the majority of small entrepreneurs, women, and producers has received little or no education and are often illiterate.
- Unaware of available BDS services: partially due to their limited educational and narrow business experience, many entrepreneurs are not familiar with BDS providers and the value of services they offer.
- Not attractive to banks: commercial banks prefer to work with large commercial entities that can give personal contributions and guarantees rather than with MSMEs.

BDS market weaknesses. The market for business development services continues to be inundated by a variety of donors that subsidize the services offered. As a result, the market is not truly demand driven and competitive with no professional organization or set of ethical standards. Further, the average small entrepreneur cannot afford the typical BDS provider's high subsidy based fees. Most of Mali's 200 plus BDS providers have limited expertise and only offer basic services and generic non-specialized training. The net result is a lack of effective communication between MSMEs, BDS providers, and the financial institutions, which is needed to improve access to financial services.

BDS market opportunities. The reengineered Mali Finance BDS intervention strategy works with a select group of 20 qualified BDS providers to improve the provision of affordable and appropriate services that strengthen the link between the supply and demand for financial services. If a service is perceived to be useful, then people will pay for it. Partner BDS providers were selected based on their business registration information, their past performance (projects developed and services provided), expertise in BDS in the private sector or with NGOs, and their curriculum vitae.

Building capacity will continue. During the first year of the project, Mali Finance signed a contract with 60 consultants, from the pool of 200. The BDS component worked with these BDS consultants on respecting quality norms and using best practices. After two years, about 20 of the best BDS providers — collectively with offices in most major economic centers of Mali — can now give high quality services to small entrepreneurs and to representatives of financial institutions, other BDS providers, and promoters of large investment projects. In addition, the National Federation of Consultants in Mali (FENACOM), which is supposed to promote the BDS providers' interests, just restarted its operations after many years of inactivity; this is a positive development that could further strengthen the BDS sector.

Due to the level of subsidization by other donors, Mali Finance initially subsidized training sessions and other services to project beneficiaries through its pool of BDS providers. Financial support to BDS providers was to gradually diminish, and has stopped early because of budget constraints, initially halting project activities as BDS providers did not know how to tailor their marketing services and fees to the unsubsidized market.



Understanding market supply and demand: an example of a Micro Plan business simulation tool used for training entrepreneurs

Mali Finance worked with the BDS providers to market their services to agro-entrepreneurs and local and international NGOs. This approach forced providers to research the market, and understand the opportunities and challenges different groups of entrepreneurs face. At the same time, the project's BDS team is making entrepreneurs and producer associations aware of the various services available to them and the benefits they gain for their enterprise.

One important service in high demand is Micro Plan, a basic business planning model that has provided many entrepreneurs with new tools to manage their enterprise. They quickly see the business benefits, experience, and increase in profits, which makes them more willing to pay for services. The training materials are adapted to the local environment.

1.3.2 Financial Institutions and Investment Promotion

This component addresses the supply side of “improving access to financial services” and comprises activities to ensure outreach of financial services to underserved areas and the missing middle. During the second year of the project, activities relating to financial institutions and investment promotion were combined into one component to advance an integrated financial systems approach to developing Mali's financial sector. This combined component gives technical assistance to government bodies, small-scale MFIs, large national MFI networks, commercial banking institutions, and entrepreneurs seeking access to finance. Cross-cutting activities implemented under the BDS component have proven essential in strengthening financial institutions and promoting investment opportunities in Mali.

Challenges for financial institutions. Commercial banks in Mali are generally not interested in providing credit to agro-entrepreneurs because they have had bad experiences with the risks involved in agricultural projects. When credit is given to agro-entrepreneurs, it is for short-term input related loans of less than one year tied to the agricultural season. Access to bank loans for agro-entrepreneurs and large-scale medium- and long-term investment projects in the agro-industry (greater than 75 million FCFA) is even more exceptional, as 80 percent of loans provided by banks are short-term loans to non-agricultural businesses.

Microfinance institutions, such as Nyèsigiso, are most comfortable providing short-term credit for cotton and rice production, two well established agricultural sub-sectors. One of Mali

Finance's objectives is to introduce medium- and long-term credit for equipment and working capital. This is a new concept for microfinance institutions and agro-entrepreneurs alike.

Challenge. The challenge is to diversify loans to entrepreneurs in sub-sectors other than cotton and rice, but also to introduce new products like medium-term credit, and assist in developing interesting agro-investment project dossiers that are bankable.

Solution. The key to successfully introducing new elements in the financial services environment is to create a common understanding of basic values, norms, and risks. To accomplish this, the project signed collaborative agreements and protocols with a number of partner microfinance organizations and banks. Expectations and responsibilities of all parties were laid out, and a certain level of commitment was ensured. Based on the weaknesses of the various financial institutions identified during the first year of the project, Mali Finance made an investment in training representatives of microfinance institutions and banks. The capacity building themes were:

- Financial, profitability, and risk analysis for agricultural operations and the use of a specific Excel software package for doing these analyses;
- Use and application of medium-term credit;
- Basic conditions and standards for developing a good business plan.

Outcome. Having financial institution representatives and BDS providers all use the same basic principals and standards is improving the processing of loan applications and will increase entrepreneurs' access to finance, as described in Section 2.

Next steps. Even though Mali Finance has been instrumental in strengthening the capacity of credit agents and bank representatives, much more technical assistance is required at the institutional level. The project's smaller microfinance partners have general management problems and issues establishing credit lines. They are not always successful in attracting clients and are too small to provide sustainable financial services on their own. This is especially the case for the MFIs in the northern region of Mali. Mali Finance continues its efforts to provide technical and financial assistance to these MFIs to give them an initial start-up boost.

A unique Mali Finance activity that supports fusing a small microfinance institution in Tombouctou, DOT, with one of the national networks, Nyèsigiso, will hopefully provide an example for other small-scale local finance institutions that are currently struggling and need the financial and structural back-up of a larger network to function and become sustainable in the long run. At the same time, even more intensified collaboration between banks in sharing requests for loan applications for large investment projects will reduce the risks for all parties.



Like our partner MFI Nyesigiso, Mali Finance welcomes suggestions for improving its project activities related to financial institutions.

Investment promotion. The project also gave considerable financial support to activities related to investment promotion. In the past, consultant fees for developing business plans and market studies were subsidized. During the second year, this approach changed. The project will continue to provide technical assistance and guidance, and reviews dossiers to ensure respect for quality standards. Project assistance also includes dossier follow up, building relationships between clients and banks, negotiations, and support for modifying dossiers.

Microfinance institutions. Mali Finance gives technical and material assistance at the central microfinance level to APIM (*Association Professionnelle des Institutions de Microfinance*) to increase its capacity to gather microfinance data from all national institutions on a regular basis. APIM submits this data to CAS/SFD, the government agency responsible for supervising the MFI sector. Over the course of the coming year, the CAS/SFD will map out the entire microfinance database for Mali, with assistance from Mali Finance. This mapping will allow tracking of credit provided and repaid on a national level, which should help the CAS/SFD play a more dynamic role in supervising and supporting the MFI sector.

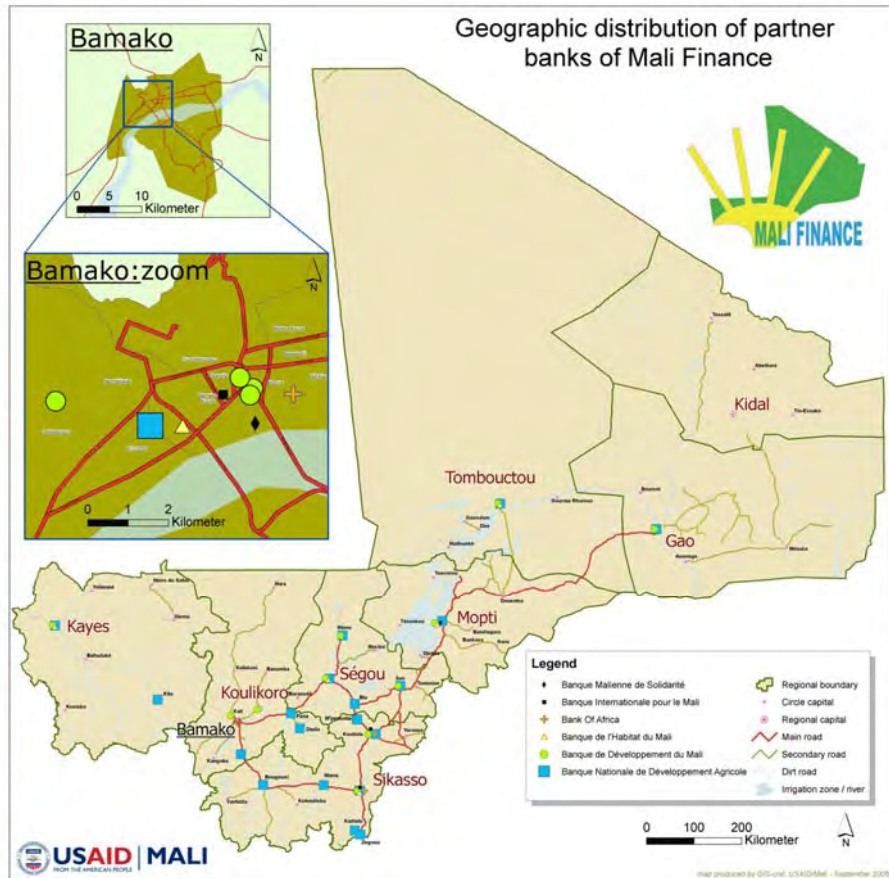
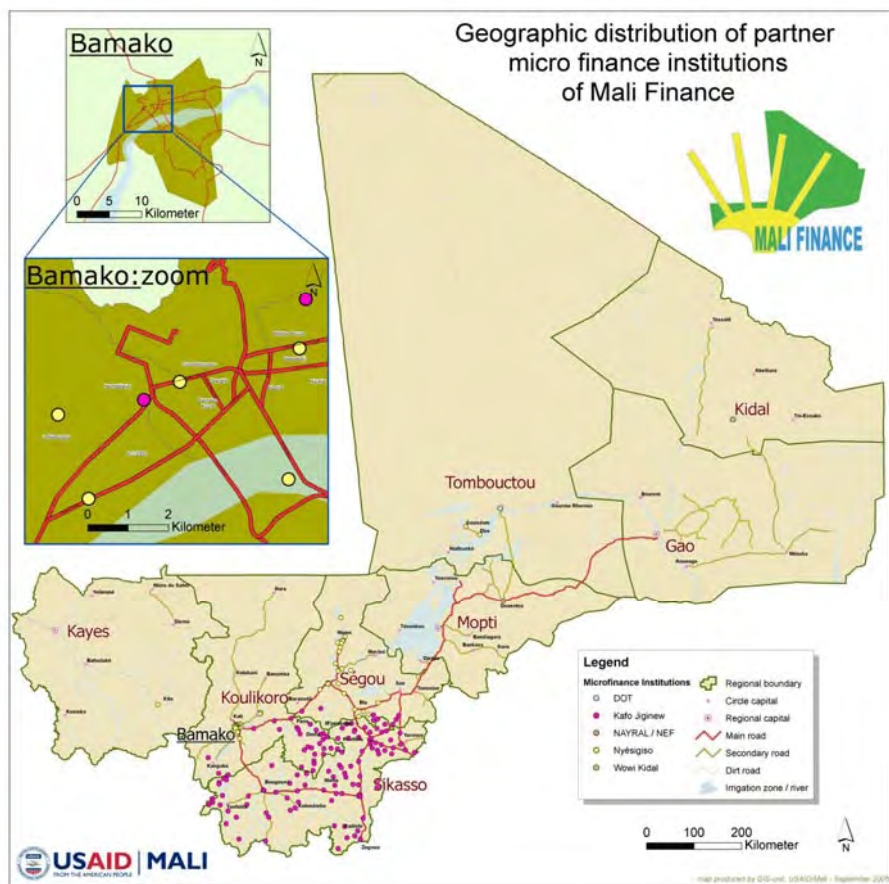
Close monitoring by Mali Finance of activities conducted by APIM and the CAS/SFD is necessary to ensure progress is being made, as both institutions are constantly struggling to obtain enough financial resources to manage their ongoing activities and projects. As part of its support to these institutions, Mali Finance provides technical assistance and procured a CODAN radio system for APIM and GIS software necessary to create the national MFI map for the CAS/SFD. With the CODAN network, MFIs can transmit their portfolio data into the central database mapping system on a timely basis.

Policy environment. Mali Finance works with a variety of government agencies to establish an enabling policy environment that promotes and stimulates investment opportunities in Mali. In line with priorities and available resources, Mali Finance is focusing on:

- Providing support to the government in creating a new investment promotion agency (IPA);
- Assisting in the formulation, adoption, and diffusion of three well-defined regulatory and legal reforms that have a direct impact on the creation of the IPA, and microfinance and SME promotion as part of national public policy.

These activities seek to strengthen the capacity at different levels in the government agencies involved in the various reforms and creation of the IPA. Even though Mali Finance has limited control over government actions to promote investment opportunities, good relationships with the various stakeholders have proven successful, and results are slowly being achieved. However, intensified collaboration with donors (USAID, the World Bank, and MIGA) and other partner organizations during the next year of project implementation will be essential to maintain momentum and give the government assistance in improving Mali's investment environment.

The following page shows two maps indicating the geographic distribution of partner banks and microfinance institutions.



1.3.3 Targeting the Northern Region of Mali

The northern region of Mali remains a priority for Mali Finance with activities there integrated into the overall strategies. As opportunities for investment promotion and the availability of financial institutions are limited in the northern region, there will be ongoing efforts to find ways for the project to intervene. Mali Finance is not the only project dealing with these difficulties, therefore increasing collaboration and developing synergistic activities with other projects remains important to ensure all economic sectors, including the agricultural sector, benefit from any type of development effort in the North. Regular meetings are now being organized between different USAID partners and we expect to see tangible results of these efforts in the coming year.

Mali Finance manages its involvement in the North through its sub-office in Ségou. Two dedicated microfinance and BDS specialists give technical assistance to our partner microfinance institutions, BDS providers, and targeted agro-entrepreneurs. Opportunities for collaboration with other international projects, local NGOs, and community-based organizations have resulted in a number of potential activities, such as support in microfinance, development of a camel cheese association and water distribution associations for irrigated rice production, and the expansion of the rice-based warehouse receipt program. These opportunities will be further developed and reported on in the coming year.

SECTION 2 – RESULTS

2.1 Performance Management Plan and Results Framework

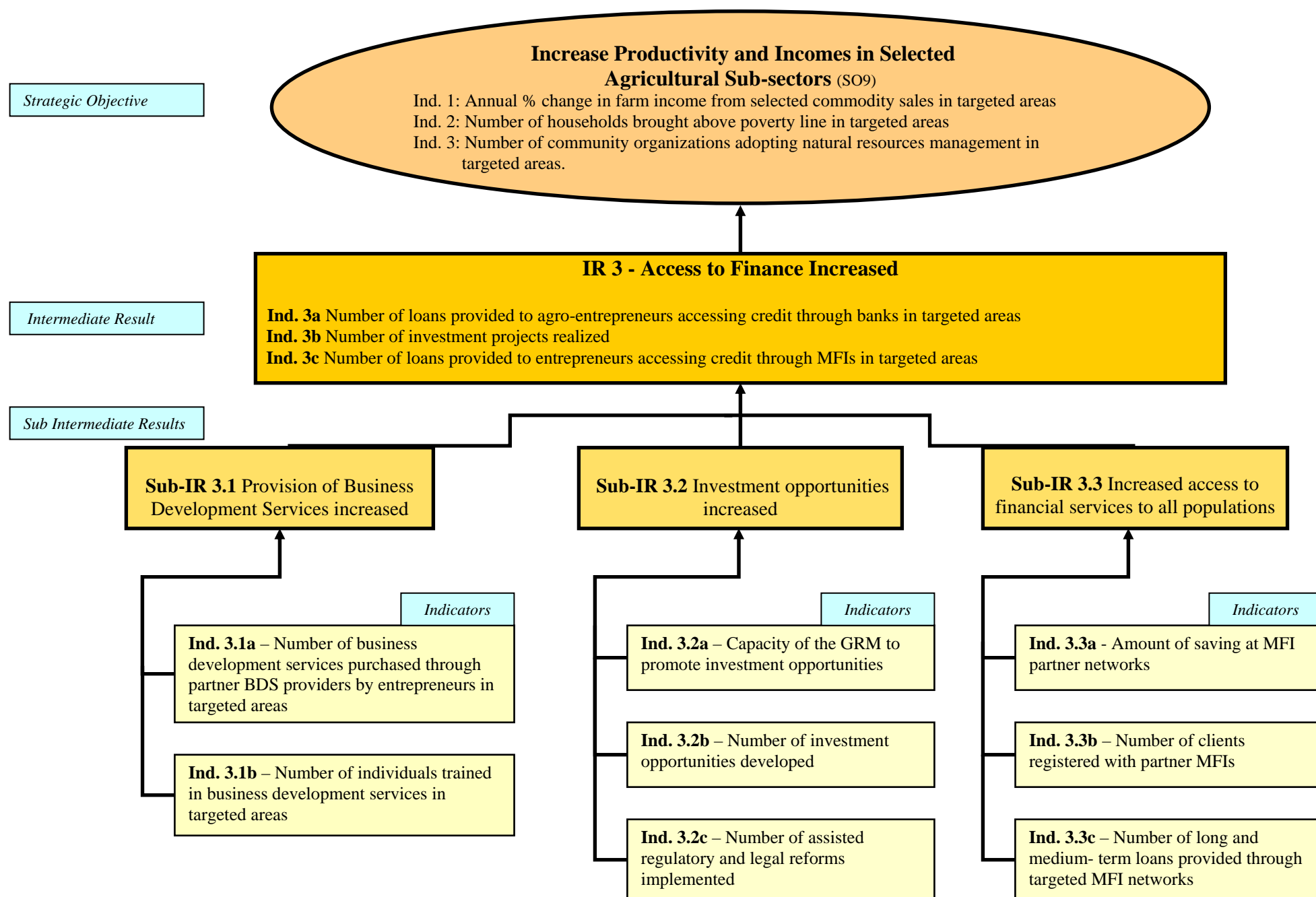
In response to questions and concern from USAID SO9 team members and experiences and lessons learned after one and a half years of project implementation, the original draft of the PMP, submitted to USAID for approval in January 2004, needed to be changed. Some of the main weaknesses of the original PMP were:

- ***The general nature of the indicators***
Results reported under the original project performance indicators measured numbers that were not necessarily attributable to the Mali Finance project. The indicators were revised to only measure results that could be attributed to interventions and technical assistance provided through the project.
- ***The measurability of the indicators***
Certain indicators, especially those relating to investment policy activities and the government's capacity in investment promotion, needed revision to ensure they are measurable, adequate, and practical. Using milestones to measure our investment-related indicators will provide a better measure of progress toward results over time.

In addition to the USAID/Mali Accelerated Economic Growth indicators, Mali Finance reports on the Initiative to End Hunger in Africa (IHEA) indicators that relate to BDS services provided to entrepreneurs. The project also gives information about changes in the policy environment through our assistance in legal and regulatory reform, and the number of individuals and associations who have been trained and/or received technical assistance to increase their enterprise and gain access to finance.

The results in this section of the annual report respond to the 11 project performance indicators in the new PMP as shown in the results framework (see Exhibit 1). These indicators now measure directly the activities implemented by the project's technical components.

Exhibit 1 - Mali Finance Results Framework



2.2 Data Reporting

Changes in data collection. Two sets of data collection forms were developed for all microfinance and BDS related activities due to the change in indicators and the need to improve the data collection, analysis, and verification system at the project level. However, available data maintained for investment projects and policy initiatives is already sufficient to meet reporting requirements.

The new data collection forms were reviewed with the SO9 Monitoring and Evaluation Specialist and tested with our microfinance and BDS partners to produce the final versions. Our partners received the necessary forms to complete, and field based data verification and validation was done for microfinance data based on samples. Due to this comprehensive process, we are highly confident in the accuracy of the results we are reporting.

Due to the nature of microfinance systems and financial reporting, which is done on a quarterly basis following the calendar year, all data relating to microfinance indicators (IR 3.c, and Sub IR 3.3a, b and c) covers the period of July 1, 2004 through June 30, 2005. Since last year's reporting on microfinance indicators was done through June 30, 2004, there are no data gaps in our results reporting for indicators that remained the same in our new PMP. Reporting performance results for all other indicators (BDS and Investment Promotion) will cover the period from September 1, 2004 to August 31, 2005; this is in line with the contractual annual reporting year.

2.3 Indicator Performance Results Reporting

This section of the report describes results achieved per indicator during the second year of project implementation. All results are disaggregated by gender where possible and applicable. Additional information on region, type of beneficiary, amount of loans, type of financial institution, and other possible measurement units is described and/or presented as disaggregated numbers when appropriate.

2.3.1 IR 3 – Access to Finance Increased

This intermediate result is one of the three SO9 intermediate results that relates directly to the strategic objective to “*increase productivity and incomes in selected agricultural sub-sectors*” and constitutes the highest level of results reporting for the project. Three indicators feed into this intermediate result.

INDICATOR 3.A - Number of loans provided to agro-entrepreneurs accessing credit through banks in targeted areas

We are pleased to report that the results achieved this year exceeded the target. The ten loans provided to agro-enterprises through banks this year were all dossiers developed through the technical assistance of our BDS providers with ACOD Nyetaso in the region of Sikasso and funded through the BMS SA bank in Bamako. These loans were disbursed to eight cooperatives and associations (consisting of both men and women) and two individual women entrepreneurs. The entrepreneurial activities of these enterprises largely included the production, breeding, and

marketing of cereals, livestock, small ruminants, potatoes, and other locally produced products. Loans given to these small and medium-size enterprises totals more than 108 million FCFA (about US\$215,000).

Ind. 3.a - Number of loans provided to agro-entrepreneurs accessing credit through banks in targeted areas						
Baseline value	2004 actual	2005 actual	2005 cum achieved	2005 target (cum)	Variance from target	% target value achieved
0	8	10	18	14	4	129 %

The activities with a direct impact on achieving this indicator can be divided into three different categories:

- Strengthening the capacity of business development services providers. The BDS providers have been empowered to develop better quality business plans, which have led them to produce more bankable credit applications for entrepreneurs.
- Strengthening the capacity of credit and loan agents at financial institutions. The capacity of banks to analyze the credit risk of agricultural loan applications has been enhanced. This development will increase the level of trust, and as a result, banks will be more likely to grant new loans to agro-entrepreneurs.
- Strengthening the capacity of agro-entrepreneurs. Entrepreneurs now have a better understanding of the importance of BDS for the success of their business and possibilities for obtaining loans.

A number of partnership agreements were developed and signed to reinforce collaborative efforts and ensure smooth implementation of activities and provision of assistance. Examples are:

- Protocol between Prodepam, Mali Finance, and the BMS;
- Protocol between Prodepam, Mali Finance and the BNDA;
- Tripartite partnership agreement between Mali Finance, ACOD Nyetaso, and the BMS;
- The tripartite partnership agreement between Mali Finance, SABA, and the BMS. ACOD, located in Sikasso, and SABA, based in Mopti, are two local NGOs with whom the project collaborates to provide BDS services.

Partnerships. The partnership developed and supported by Mali Finance with the financial institutions, BDS providers, and agro-entrepreneurs is the underlying factor for the successes achieved under this indicator regarding the number of loans to agro-entrepreneurs through banks. Last year the project achieved most of its results through the collaboration with Saba. This year, however, ACOD Nyetaso in Sikasso gave the technical assistance necessary to entrepreneurs to develop bankable dossiers and make their tripartite partnership agreements successful.

The results demonstrate that efforts in building capacity for financial institutions and BDS providers improves and expedites the process of completing financial analyses of agricultural loan applications. The collaboration between TradeMali, Mali Finance, and ACOD resulted in the development of four bankable dossiers for associations in the potato sector. Due to management problems and issues regarding bad credit history issues, only two of the four

associations received a loan through the BMS bank. These results are included under this indicator.

INDICATOR 3.B - Number of investment projects realized

Due to the efforts of Mali Finance, two investment projects were realized during the second year of project implementation. This means both projects received financing from an outside source and received support from the Mali Finance project and/or its partner BDS providers. A project is considered an investment project when the total amount of disbursement equals 75 million FCFA or more.

Ind. 3.b – Number of investment projects realized						
Baseline value	2004 actual	2005 actual	2005 cum achieved	2005 target (cum)	Variance from target	% target value achieved
0	1	2	3	3	0	100%

Partenaire Agricole. This transportation company, which was created in 1997 and is based in Bamako, specializes in transporting agricultural produce. Mr. Moctar Ben Maouloud manages the company and is involved in distributing agricultural inputs, such as pesticides, insecticides, and fertilizer. The company now employs 30 staff, chauffeurs not included, and the total turnover is 6 billion FCFA (US \$12 million). Mr. Maouloud requested assistance from Mali Finance to access finance to procure 20 new trucks.

After discussions with several Partenaire Agricole's partners and considering this project's potential impact on other projects like TradeMali and Prodepam, Mali Finance provided assistance in developing a business plan. After rigorous quality controls, the final plan was submitted to the BOA and BDM SA for financing. The total costs of this project were 2 billion FCFA, and the amount requested to be financed by banks was 1 billion FCFA (about \$2 million US).

Following numerous interventions and discussions with both banks, the BDM SA gave an investment loan of 340 million FCFA (US \$680,000) for the project. Discussions with the BOA are still ongoing regarding the number and amount of contracts that Partenaire Agricole has had during the past year. Based on the complementary information provided to the bank, the BOA will make a decision during their next credit committee meeting on this dossier.

SMPCA SA. The second project is somewhat different as it did not receive a Malian bank loan. This case is particularly interesting because the entrepreneur representing the abattoir in Markala (SMPCA SA) was able to attract foreign investors, with the advice and assistance of Mali Finance and technical support from TradeMali. An Iranian company has committed to invest 1.4 billion FCFA (approx. US \$2.8 million) in the project for construction and equipment. In the development stage of this red meat production project, which started in 2004, TradeMali approached Mali Finance to provide assistance on the development and quality control of the business plan.

Through discussions and working sessions with the SMPCA enterprise representatives, Mali Finance advised the company on financing this project and made the suggestion to request

funding through the Iranian company interested in this activity rather than going to one of the local banks. Negotiations and multiple meetings have resulted in successfully attracting this foreign investment to the abattoir activities in Markala. The objective for this abattoir project will be to produce high quality red meat for export in the West Africa region and possibly beyond. Mali Finance continues to work with the entrepreneur representing the abattoir as they also requested assistance for developing a loan application request for a revolving fund, which will be submitted to Malian banks.

INDICATOR 3.C - Number of loans provided to entrepreneurs accessing credit through micro finance institutions in targeted areas

Only results provided by our microfinance partners that were supported by a description of the direct technical assistance given by their credit agents to the entrepreneurs were used for reporting. During our data verification process, the results provided by our partners that did not have any type of supporting information were rejected. This permitted us to confirm that capacity building provided by Mali Finance had a measurable impact. We are pleased to have achieved 160 percent of this target.

To have an impact on the quality of loan applications received from MSMEs and the resulting number of loans disbursed, it has been necessary to improve the knowledge of the financial institutions' representatives and upgrade their clients' skills in basic accounting and good financial analysis. In doing so, the project was looking for short-term impact and long-term change in the behavior and actions of entrepreneurs in Mali in their relations with financial service providers.

It is worth noting that most of the loans (408 out of 589, approx. 70 percent) fall within the category of short-term credit, less than one year. These loans are typically used for the agricultural campaigns and are paid back shortly after harvest season. It also indicates the capacity of microfinance institutions to lend medium-term credit needs to be improved so they can provide the longer-term financing required for equipment purchases, working capital, and business expansion.

Ind. 3.c - Number of loans provided to entrepreneurs accessing credit through micro finance institutions in targeted areas					
Baseline value	2004 actual	2005 actual	2005 cum achieved	2005 target (cum)	% target value achieved
0	203	589 (43% ♀)	792	494	160 %

Activities. The training provided to credit agents representing microfinance institutions (see results reported under Indicator 1.3.b) has allowed many agents to provide assistance based on the clients' needs in basic accounting, enterprise management, and risk and profitability analysis. Increasing the general understanding and importance of credit systems among clients involved in income generating/entrepreneurial activities will increase the demand for loans.

Outcomes. Through the assistance provided by Mali Finance, many entrepreneurs have started to keep records of basic business transactions (revenues, expenses, loans), which has enabled them

to evaluate the profitability of their activities. These entrepreneurs can now evaluate their own performance and make better informed decisions, which are likely to result in an increase of income generating activities. The accumulation of successes will stimulate the majority of entrepreneurs to expand their business, which in turn often requires an increase in stock, equipment, or other materials, leading to an increased demand for loans.

At the same time, the financial institutions require a more in depth financial analysis of the MSMEs for credit applications of 500,000 FCFA (US \$1,000) or more. This obliges the clients to have a formal accounting system, including earning statements, profitability calculations, financial balance sheet, and a sound financial enterprise structure. By having such a system in place that is well managed, entrepreneurs know they can maintain a good relationship with the microfinance institutions to meet their increasing credit needs.

Strengthening the capacity of financial institution representatives through training provided by the project has enabled them to offer better services, thereby increasing the number of clients. For most partner microfinance institutions, the training provided by Mali Finance was the first they had received in basic accounting for MSMEs. It gives credit agents simple tools that are transferable to clients. When clients know that microfinance institutions use financial criteria for their decision making process, they not only adjust their behavior, but also change their perception of the level of professionalism of their credit agent and develop stronger relationships.

It is in the interest of microfinance institutions to improve the fidelity and level of trust with their clients. A satisfied client will inform other potential clients and spread the word, which is an important factor for financial institutions in increasing the demand for loans.

Nyèsigiso. The 103 loans reported for the Nyèsigiso network come mostly from the Ségou region, specifically the *Office du Niger* zone. Mali Finance made it a point to ensure that all relevant training modules targeted partners and beneficiaries in this region. Many of the loans provided by these microfinance institutions are for large rice producers and associations. As it is extremely difficult for women to own land in this zone, the majority of these loans (83 percent) were given to men.

Kafo Jiginew. Most of this MFI network's loans were short term, less than one year, with some loans provided for up to 18 months. The majority of loans were to entrepreneurs in the Sikasso region, where they have a number of urban branches with specialized credit field agents. These agents received training provided by Mali Finance. The knowledge gained enables them to do in-depth technical analysis for loan applications received from semi-rural and urban entrepreneurs in the greater Koutiala and Sikasso areas. Notably, 40 percent of the 305 loans provided were for women.

This demonstrates that women entrepreneurs in the Sikasso region are dynamic, and that opportunities for income-generating activities in this region are greater than in many other regions in Mali. In addition to commerce, women invest in agricultural sectors such as mangoes, potatoes, and other cash crops. Even if they do not have direct access to land, many women are very business savvy and explore opportunities for increasing their income-generating activities. Kafo Jiginew is very aware of the potential women entrepreneurs for developing their network,

diversifying their business, and expanding their clientele beyond cotton producers. In addition, women entrepreneurs have historically good credit reimbursement rates.

DOT. Dourey Tombouctou distributed 141 loans (of which 80 for women) for income-generating activities this past year. Fifty seven percent of those loans were for women entrepreneurs involved in marketing rice, vegetables, and other consumables. Clients come from villages up to 100 kilometers from Tombouctou. Until DOT and Nyèsigiso are fused, DOT cannot expand credit services to clientele. DOT gives advice, technical assistance, and follow up through its credit agents that Mali Finance trained.

Nayral Nef. This MFI made 40 loans during the past year of which four were for men and 34 (85 percent) for women entrepreneurs. Loans to individuals are an innovation for Nayral Nef, as they began their activities with women's groups only. Women entrepreneurs in the North are mostly in the livestock sector, and trade in cereals, and started with Nayral Nef as part of a group. The women's successes help them graduate to individual loans, from 350,000 CFA (US \$700) up to 1,000,000 CFA (US \$2,000). Now with their good relationships with women's groups expanding to individuals, Nayral Nef sees a promising future. Mali Finance worked with the MFI to develop a business plan and gives Nayral Nef technical advice to help it operate independently.

Ind. 3.c – Disaggregated number of loans provided to entrepreneurs accessing credit through micro finance institutions in targeted areas			
MFI network	Number of loans (2005)	Loans to women	Loans to men
Nyesigiso	103	18 = 17%	85 = 83%
Kafo	305	123 = 40%	182 = 60%
DOT	141	80 = 57%	61 = 43%
Nayral Nef	40	34 = 85%	6 = 15%
Total	589	255 = 43%	334 = 57%

2.3.2 Sub-IR 3.1 – Provision of Business Development Services Increased

The business development services project component has seen an expansion of activities, extending into other geographical zones during the second year, which has greatly contributed to the results obtained.

New training modules were provided to target beneficiary groups. An example is the introduction of the ComptEx module given to agro-entrepreneurs as part of the intra-enterprise training sessions. Business advisory bureaus also benefited from training to make their businesses stronger and more professional. In addition, they received reinforcement training on financial analysis tools to be used for short and medium-term loan applications. This same training was provided to bank representatives, to ensure that all parties use the same standards, tools, and methodologies when developing and assessing credit and loan applications.

Business development services, technical assistance, and related training sessions were provided to beneficiaries in Bamako and Mopti/Sevaré (year 1) but also in Sikasso, Koutiala, Ségou, Niono, Tombouctou, Gao, and Kidal this year.

INDICATOR 3.1.A - Number of business development services purchased through partner BDS providers by entrepreneurs in targeted areas

The results for this indicator are in two categories: subsidized services and services delivered directly by BDS providers to clients without subsidies.

We are pleased to have reached 93 percent of the target, given that the project changed its approach during the middle of the year from using subsidized to non-subsidized business development services. Mali Finance has invested effort to build the capacity of BDS providers, both independent consultants and business advisory bureaus, giving them training in five different modules to increase their knowledge and capabilities. That effort is now showing up in the results.

In terms of private sector development, we worked with our BDS providers to develop and promote them, and we will continue to play a role as intermediary between the BDS providers and entrepreneurs. Mali Finance has established a level of confidence and quality assurance standards with its pool of BDS providers, which are strong marketing points as we collaborate with other USAID partners and donors who need the same services.



**ComptEx –
A West African
USAID Success**

The BDS component of the USAID funded Chemonics-led Dyna Enterprises project in Senegal worked with Karim Guiro, a dynamic Senegalese consultant, to develop a rapid and simple accounting package for MSMEs called ComptEx. Mr. Guiro received certification for ComptEx from the Board of Accountants in Mali in 2004. His vision is to market his ComptEx package to Malian businesses and then expand to other West African countries. Mali Finance signed a contract with Mr. Guiro to give the ComptEx training to a selected number of agro-businesses with potential for growth and interested managers. Mali Finance will help Mr. Guiro expand his market and diffuse the ComptEx module in Mali.

Ind. 3.1.a - Number of business development services purchased through partner BDS providers by entrepreneurs in targeted areas						
Baseline value	2004 (cum)	2005 actual	2005 cum achieved	2005 target (cum)	Variance from target	% target value achieved
20	58	59	117	126	9	93%

Note: the results for this indicator do not include any training services that might have been provided or purchased through BDS providers. The training specific results are presented under Indicator 3.1.b.

The initial approach of Mali Finance was to provide a considerable level of subsidization to jumpstart BDS activities for agro-entrepreneurs. Through this process, Mali Finance trained a pool of BDS providers, mainly independent consultants and business advisory bureaus. Partnership agreements were signed with these providers to give technical assistance and business development services to entrepreneurs. Now the project has moved away from providing subsidies. Stimulating demand through our successful product, Micro Plan, has helped the BDS providers create and search out their own markets and convince beneficiaries to pay for the services provided.

To help BDS providers expand their businesses, Mali Finance has begun to promote its partner BDS providers with other projects, organizations, and institutions throughout the country. This pool of BDS providers is represented in most regional capitals in Mali; this facilitates direct access to services where demand exists. Mali Finance counts the results achieved through non-subsidized efforts as ‘indirect results’ when reporting annual performance results.

Ind. 3.1.a – Disaggregated number of business development services purchased through partner BDS providers by entrepreneurs in targeted areas

	2004 (cum)	2005 actual	2005 cum achieved	target 2005 (cum)
# of subsidized services	10 (40% ♀)	16 (50% ♀)	26	16
# of non-subsidized services	48 (38% ♀)	43 (28% ♀)	91	110
Total	58	59	117	126

The disaggregated results show that the 16 subsidized services purchased this year can be broken down as follows:

- Nine business plans, five of which relate to enterprises in the northern region of Mali. The initiative for eight of the nine plans was begun during the first year. With the help of experienced BDS providers and the quality control and support of the project's investment specialist, they were developed into bankable dossiers.
- Three additional business plans were developed this year under the investment component's efforts (Ind. 3.2.b).
- Four market studies were conducted by BDS providers. Three of these studies relate to enterprise initiatives in the northern region of Mali and one was conducted to support another investment opportunity.
- Eight of the sixteen services relate to enterprises led by women and eight were for enterprises headed by men.

The 2005 results for the non-subsidized services offered by the Mali Finance partner BDS providers to beneficiaries can be broken down as follows:

- Thirty-three business development plans were developed.
- Three clients purchased support and technical assistance in accounting and finance.
- Five beneficiaries procured services relating to management, auditing, and organizational development.
- Two entrepreneurs were given assistance in marketing.
- Twelve of the 43 services purchased were provided to enterprises led by women and 31 were for enterprises headed by men.

INDICATOR 3.1.B - Number of individuals trained in business development services in targeted areas

Ind. 3.1.b - Number of individuals trained in business development services in targeted areas						
Baseline value	2004 actual	2005 actual	2005 cum achieved	2005 target (cum)	Variance from target	% target value achieved
0	240	704	944	905	39	104%

Note: the number of individuals trained relates to training provided in multiple, but specific modules. Therefore, the same individual can be counted more than one time if s/he received multiple training modules. Each training session provided to one individual is counted as one (1) result.

The activities relating to capacity building through training sessions have targeted three different beneficiary groups:

- Agro-entrepreneurs, community based organizations, and associations;
- Business development services providers; and
- Representatives of financial institutions (credit agents, bankers, loan application agents).

The results achieved under this indicator can be divided into direct and indirect training activities. Direct training activities were financed through the Mali Finance project, with or without co-financing aid from other partner projects or donors. Indirect training activities were provided by the pool of BDS providers, who collaborated with Mali Finance, under collaborative agreements.

In an attempt to expand outreach and increase business opportunities, the BDS providers are multiplying and diffusing the training they received from Mali Finance to a wide range of beneficiaries requesting these training sessions. The objective is to make the spread of innovation through training a sustainable service that BDS providers give to entrepreneurs.

Targets for achieving and measuring this indicator were set for each target group as well as for the two different clusters of activities — direct and indirect training.

Direct Training Activities

BDS providers. During the first year of project implementation, only one module for training of trainers in Micro Plan (by Making Cents) was offered to BDS providers. The training was limited to Bamako. A total of 97 individuals were trained, 17 percent of whom were women. During the second year of the project, five training modules were taught to BDS providers as follows:

- Micro Plan training of trainers in Sevaré;
- “Expand your consultancy enterprise and augment its profitability” in Bamako;
- “Analysis of profitability and risks related to agricultural operations” in Bamako, Sevaré, Koutiala, and Niono;
- “Using the Excel tool for financial analysis of medium-term credit” as an integral part of business plan development in Bamako.
- “How to develop and present an investment project” in Bamako.

Due to budget constraints, the second and fourth modules were not provided to BDS providers in the northern region of the country as planned, however, they will be offered in the north during the next year.

Financial institution representatives. Seven different training modules were given to 129 representatives from different financial institutions, 22 percent were women. Most of these modules are unique and were developed to address specific weaknesses in the financial sector — at the microfinance, bank or governing agency level, as follows:

- Training of CAS/SFD inspectors in Bamako;
- Administration and organization for Micro Finance in Bamako;
- GIRAFE rating methodology training by Planet Finance in Bamako;
- Analyzing investment projects, in Bamako in collaboration with the investment component;
- A special session in analyzing investment projects for 10 representatives of the BDM SA, in Bamako;
- The module, “Analysis of profitability and risks related to agricultural operations,” was given in Bamako, Ségou, Koutiala and Niono;
- The module on “Use of the Excel tool for financial analysis of medium-term credit as an integral part of business plan development” was conducted in Bamako and a separate session in Ségou was provided to 21 representatives from BNDA branch offices throughout Mali.

We are particularly pleased that the combined efforts of the project’s technical components (BDS, Financial Institutions, and Investment Promotion) resulted in achievement of this activity.

Entrepreneurs. A total of 156 agro-entrepreneurs (50 percent of whom are women) were direct beneficiaries of training in business development services during the second year of the project. The two main training modules taught among entrepreneurs are Micro Plan (by Making Cents) and ComptEx.

Micro Plan is a module specifically designed for small entrepreneurs using business simulation tools to increase the knowledge and understanding of entrepreneurs about the offer and demand at the market (see Annex B-3, which presents a success story on Micro Plan with additional information). During the second year of the project, this training module was offered to entrepreneurs in Ségou, Sikasso, Tombouctou, Gao, and Kidal.

The ComptEx training module is particularly adapted to the needs of micro and small enterprises. It gives entrepreneurs tools for accounting and management of their enterprise activities to help them further develop their businesses using best management practices, which will facilitate access to credit. As ComptEx was provided for the first time this year, the session was only given to micro and small entrepreneurs in Bamako. Diffusion of this module in other parts of the country will take place during the third year of project implementation.

Even though we were able to target a high percentage of women with our training modules, we did not achieve the target set for this beneficiary group because scheduled training sessions in

Mopti for Micro Plan and ComptEx did not take place. We will provide these training modules in the coming year and work to improve our analysis and mainstreaming of gender.

Adding up the total number of direct training sessions provided to the different beneficiary groups by Mali Finance gives us an overall result of 382 individuals trained during the second year of project implementation; 32 percent were women. The total number of 122 trainees from the northern part of the country participated in sessions, which represents 32 percent of the total.

Mali Finance will continue its efforts to ensure higher participation rates for women in training activities. However, the number of women from financial institutions and BDS providers will likely remain low due to the limited number of women with the educational background to fill these types of positions.

Indirect Training Activities

Our BDS providers have provided indirect training activities comprised of eight different types of training:

- Training of SME advisors
- Training of trainers in enterprise creation
- Business development and management
- Enterprise management
- Micro Plan
- GERME
- Enterprise accounting and taxation
- Training in internal auditing



We are pleased to report that of the 322 individuals trained through our BDS providers, 180 (56 percent) were women. Most beneficiaries were agro-entrepreneurs, however, artisans, consultants and advisory agents, MFI credit agents, community based associations, and Peace Corps volunteers and their local counterparts were trained. Sessions were given to beneficiaries in Bamako, Kayes, Ségou, Sikasso, Mopti, Gao, and Kidal, six of the eight regions in Mali.

During the second year of the project, Mali Finance has made a conscious effort to look for partner organizations and projects who are interested in co-financing these training sessions. The two main cost categories are the consultant fees and logistical costs (meals, tea/coffee breaks, training materials, training room rental). During the second year of the project, Mali Finance has been successful in finding co-financers for BDS training session who were willing to either cover all training costs or the consultant fee portion of training expenses. This strategy for funding leverage will be continued during the project's third year and more emphasis will be placed on helping BDS consultants negotiate directly with those other organizations and projects interested in co-financing a training module.

Depending on the target group, training participants are often asked to pay a training fee to cover part of the costs. Training participants are requested to contribute a fee of 7,500 FCFA (US\$ 15) for training sessions held in Bamako, and a reduced fee of 3,000 FCFA (US\$ 6) is asked for training sessions provided on the regional level. The idea is to make training recipients used to paying for any BDS services from which their enterprise benefits.

Ind. 3.1.b – Disaggregated number of individuals trained in business development services in targeted areas

	2004 (cum)	2005 actual	2005 cum achieved	2005 target (cum)	% target value achieved
# of individuals trained directly	240 (46% ♀)	382 (32% ♀)	622	505	-
# of individuals trained indirectly	-	322 (56% ♀)	322	400	-
Total	240	704	944	905	104%

The results achieved under this indicator (Ind. 3.1.b) show the project's impact on the different groups targeted through diffusion of the training modules. An initial evaluation was done at the start of the project to identify training needs for the three beneficiary groups. The training provided during these past two years of project implementation responds directly to the expressed needs. Increased knowledge and strengthened capacity in business development services will allow entrepreneurs to use best practices to manage their enterprises and ensure greater access to finance.

The results of the indirect training activities show the increased synergy and collaboration between Mali Finance and other partner projects that are willing to help fund BDS activities. Ongoing efforts to promote our BDS providers and their capacities and services will make them increasingly independent as consultants or business advisory bureaus if Mali's economic situation and business development environment continues to create a demand for their services.

2.3.3 Sub-IR 3.2 – Investment Opportunities Increased

The Mali Finance project is committed to assisting promoters of investment projects, and supporting the Government of the Republic of Mali in developing the enabling environment needed to attract foreign investment. The project's priorities have shifted from the original approach to investment promotion. To reflect this change, the indicators have been modified to better measure results achieved under this sub-intermediate result.

INDICATOR 3.2.A: Capacity of government of Mali to promote investment opportunities

Indicator 3.2.a – Capacity of government of Mali to promote investment opportunities					
Baseline value	2004 actual	2005 target	2005 actual	Variance from target	% target value achieved
0	-	Milestone 1 @ 100%	Milestone 1 at 75%	25% (based on 1 activity)	75%

The World Bank and USAID concluded that the Centre National de Promotion d'Investissement (CNPI), in its current form, would not be able to attract foreign investment to Mali. Based on this finding, the GRM decided to create a new investment promotion agency, with the support of USAID and MIGA, which received a small USAID grant to provide technical assistance. Mali Finance is working with MIGA, drawing on its expertise in developing investment promotion agencies, to give technical assistance to the government, and it will continue to facilitate activities that will help create and ensure the smooth operation of the new IPA.

To measure Mali Finance's efforts in building the government's capacity to promote investment opportunities in Mali, a set of milestones were developed to track activities for different phases of IPA creation, development, operation, implementation, and execution. Please refer to the final modified PMP document for additional details on milestones for this indicator. Annex B-4 gives a write up on the process and progress in creating the new IPA.

Milestone one. The Initial Development Phase, which covers the second year of project implementation, consists of nine separate activities. Even though we did not achieve the last activity, we are pleased to report that the texts for the law and decree for the creating the new IPA were approved by the Cabinet of Ministers in August. The next step is for the General Assembly to approve these documents; this will hopefully take place within the next few months.

Activity 1) Organize and facilitate two regional workshops for the investors' identification study.

Mali Finance launched the study to identify investment projects and opportunities in the agro-industry by organizing two workshops, one in Bamako and the other in Mopti. Representatives of the Ministry of Investment Promotion and other government agencies, USAID, private sector organizations, and women's groups were present. The workshop included a plenary discussion about the need for the study and the methodology that would be used. The workshop also allowed participants to share issues, constraints, and approaches specific to certain regions of the country. It gave Mali Finance a chance to present the project and its activities relating to investment promotion to all participating stakeholders. The project also presented each consultant with the synthesis of a 2001 study that Chemonics International Inc. conducted about potential agro-production channels in Mali.

Activity 2) Support the ministry in organizing a workshop to validate the study on creating a new investment promotion agency.

This workshop allowed stakeholders to ask questions on the study that was done on the creation of a new IPA. Mali Finance facilitated this workshop and, as the major actor in developing this study, gave answers and explanations to inquiries to workshop participants.

Activity 3) Hold preliminary discussion with the ministry on the organization of a stakeholder forum.

The pilot committee of the ministry in charge of organizing the forum held a number of working sessions. Mali Finance helped organize the forum at which a selected group of number of national investment projects presented to foreign investors as an outcome of the investors study.

The pilot committee also wants to have a Web site developed in time for the forum; the site will have to be maintained and updated regularly.

Activity 4) Facilitate partner meetings on the IPA and ensure follow up.

Mali Finance facilitated the visit of MIGA representatives and meetings with the CNPI, AZI, and the Minister of Investment Promotion. Regular interactions and meetings take place with these different partners to monitor continuation of activities to create the IPA.

Activity 5) Assist in developing a draft budget and activity schedule.

As part of the MIGA visit to Mali, and the partner meetings that were held, the project's investment specialist assisted in drafting a preliminary budget for the IPA and an activity schedule that outlined the different phases for creating the IPA. The activities and milestones for this indicator were also developed to specify those areas where Mali Finance could contribute by providing technical assistance and/or facilitation processes and activities.

Activity 6) Translate and distribute the aide mémoire on the outcomes of MIGA's visit.

Shortly after MIGA's visit, the text of the aid mémoire was translated and copies were given to those involved in the visit and the IPA process. This memo outlines the meetings that were held, the agreements reached, and recommendations to the ministry and the GRM.

Activity 7) Finalize the study on identification of investors and submission to USAID, MIGA, and the ministry.

The study was conducted and the final report was transmitted to USAID. Two hundred investment projects were identified based in the 21 largest towns and cities throughout Mali. Based on comments made by USAID, modifications will have to be made and a separate report will be added regarding smaller investment opportunities in Mali, including a greater pool of investment projects run by women. Once the report is finalized, the reports will also be submitted to MIGA and the Ministry.

Activity 8) Identification of tasks/next steps to be undertaken by the minister.

During MIGA's visit to Mali, the activity schedule, which outlined the tasks and next steps, was developed as part of the aide mémoire, written up, and translated. This schedule outlines for the Ministry of Investment Promotion specific activities that will be undertaken over the course of the next year.

Activity 9) Start up and assist in gathering information on the investment climate in Mali.

Since the Investment Promotion Ministry was completely involved with developing the decree, law, and the amendments, no specific activities have yet occurred that would count towards achieving Activity 9 under this milestone.

The government and its various agencies and representatives have been highly involved and committed during the past year in developing and implementing activities related to creating the new investment promotion agency. Because the final activity, which was scheduled to begin during August 2005, was not achieved, the milestone reached 75 percent completion. Mali Finance will make every effort to commence this activity at the start of the third year of the project and engage the ministry in working towards the development and installation phase of the IPA.

INDICATOR 3.2.B - Number of investment opportunities developed

Mali Finance was able to assist in developing five investment opportunities for private promoters during this past year, two more than the target.

Indicator 3.2.b - Number of investment opportunities developed						
Baseline value	2004 actual	2005 actual	2005 cum achieved	2005 target (cum)	Variance from target	% target value achieved
0	2	5	7	5	2	140%

Two companies, SOTRACOM and SOFACO, are in the cotton transformation business and are based in Bamako.

SOTRACOM, represented by Mr. Maiga, bought out an existing cotton plant (SATOCI) during 2004 for about US\$ 40,000. This plant had the capacity to produce 3,000 tons of the finished and packaged products of absorbent (surgical) cotton, destined for the export and the local market, employing 20 people. After the turn over, Mr. Maiga requested help from Mali Finance to develop a business plan to request a bank loan for expanding the production capacity of his plant. A business plan for 660 million FCFA (US\$ 1.3 million) was developed and two banks, the BSIC SA and BCS SA, were approached for a loan application request of 500 million FCFA (about US\$ 1 million). Discussions and negotiations with the banks are ongoing and Mali Finance monitors the applications closely.

Making Informed Investment Decisions

Mr. Bakary Camara, the owner of the poultry farm of Kassela (**FAK**), located on the outskirts of Bamako sought assistance from Mali Finance for poultry farm extension. The project helped Mr. Camara develop a bankable business, plan that showed that his project could be profitable. Ultimately, he decided not to apply for a bank loan, but he uses the plan to manage his business and track and evaluate his investments. He has invested up to 117 million FCFA (approx. US\$ 230,000) over a period of two years in his farm. Mali Finance continues to monitor this project and will give additional technical assistance, as requested.

SOFACO, another business represented by Mr. Camara, produces a semi-finished cotton product, called “cleaned cotton”, for the export market to cotton wool industries in Europe. The company requested technical and financial assistance from Mali Finance to develop a business for obtaining funds in support of SOFACO’s general operating costs. The final dossier was submitted to the BDM SA bank with a request to fund 80 million FCFA (US\$ 160,000) with a total investment project cost of 582 million FCFA (US\$1.2 million). Thus, about 400 million FCFA (US\$ 800,000) was financed through the company itself.

Mali Finance organized numerous working sessions with Mr. Camara and the bank’s representative facilitating negotiations between the two parties. Since SOFACO is a new client

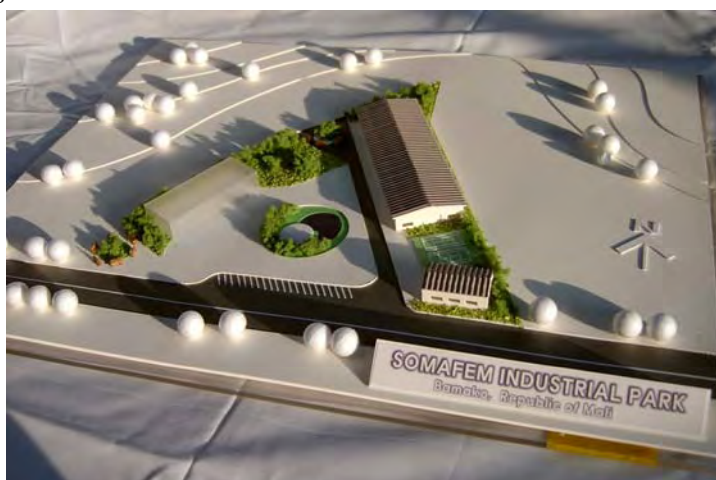
for the BDM, the bank's selection committee agreed to fund an initial 25 million FCFA (US\$ 50,000) and will likely give further funding once the first loan is reimbursed and the promoter can present sufficient guarantees for obtaining an additional loan. Mali Finance will continue to ensure that additional funding can be obtained in the future. The promoter also requested the project's help in producing cotton and cotton products for the export market under the AGOA agreement.

SOJUMA is a fruit and vegetable processing project. This sector is dominated by informal women-led enterprises producing small quantities of product that generally do not respect hygiene norms. The only industrial fruit and vegetable processing unit in Mali closed its doors a few years ago due to management and production problems. Knowing the potential that Mali and its women entrepreneurs have to offer, Madame Toure felt that the prospect for process fruit juice was good, if it was well managed. She has identified mangos, tamarind, ginger, bissap, and *zaban* from which juice concentrate and nectar would be produced at up to 500 liters per hour for local, regional, and international markets.

Madame Toure asked Mali Finance for help in developing her business plan and obtaining financing. We identified a consultant and provided technical assistance for a final quality check of the plan. The plan and a request for about US\$ 1.5 million, just over half the project's estimated cost, will soon be submitted to national and regional banks.

SOMAFEM, a carton packaging production factory, is the subject of a success story in Annex B-5. This project can play a key role in the exportation of agricultural produce and boost activities supported by the TradeMali project.

Mali finance assisted the promoter of this project in developing the business plan and market studies. Once these were finished, the plan was submitted to the BOAD, including a loan application for 2.5 billion FCFA (approx. US\$ 5 million). Mali Finance has been actively assisting the promoter in negotiations with the BOAD in Mali and its regional bank in Lome on funding for this project. We hope that this promising investment project will receive funding in the coming months.



This model of the SOMAFEM Industrial Park is part of the business plan proposal presented to the bank for financing.

Summary. Mali Finance's support for each of these investment opportunities in terms of business plan development, quality control, financial and technical studies, and analysis is critical for making projects bankable and obtaining loans. The project's investment promotion specialist also gives advice and assistance to consultants to strengthen their capacity to produce high quality business plans. As part of this approach, Mali Finance organizes working sessions with each promoter and the consultants to improve the quality of the plans. Mali

Finance ensures quality control of the final product before a dossier is submitted to banks for financing.

Mali Finance assists the promoter by defending the dossier and monitoring the process at the bank level and helps with negotiations and developing relationships between the promoter and the banks. When the amount to be financed is split between multiple banks, Mali Finance works with the promoter to coordinate activities between the different banks. The project's investment specialist follows up on these dossiers from submission to actual financing. As part of technical assistance provided in this process, Mali Finance gives advice and reinforces the dialogue between the promoters and the banks.

Out of the five investment opportunities developed this year, four have been submitted to banks for financing and one is self-financed. Men represent most large investment projects. We are happy to report that a woman entrepreneur represents one of the investment projects developed through Mali Finance. These five projects are valued at about 5 billion FCFA (approximately US\$ 10 million) with loan application requests amounting to about US\$ 8 million. We will make every effort to ensure that all projects submitted to banks for financing receive positive recommendations and can be counted as "projects realized", under indicator 3.b, for next year.

INDICATOR 3.2.C - Number of assisted regulatory and legal reforms implemented

Indicator 3.2.c - Number of assisted regulatory and legal reforms implemented					
Baseline value	2004 actual	2005 actual	2005 target (cum)	Variance from target	% target value achieved
0	Reform A – 70%	Reform A – 25%	Reform A – 95%	0	100%
	Reform B – 0%	Reform B – 25%	Reform B – 25%	0	100%

Mali Finance is committed to providing technical assistance to the different ministries and government agencies in Mali to ensure implementation of regulatory and legal reforms. Through these activities, Mali Finance seeks to influence public policy to improve access to finance for small entrepreneurs in the microfinance sector, as well as for promoters of larger investment projects who are interested in foreign investors. Three different reforms were identified during the process of planning project activities and developing the PMP:

- Reform A: Creation of a new investment promotion agency – Mali Invest
- Reform B: Creation of a microfinance promotion unit at the Ministry of Investment
- Reform C: Creation of a SME promotion unit at the Ministry of Investment

A number of activities were identified that could contribute to achieving each of the reforms to be implemented under this indicator. To measure performance results, milestones were developed to help the project track and measure results. Activities relating to reform A and B are spread out over three years (2004-2006) and will be reported on this year. However, activities for reform C are scheduled to start only in 2007, and will not be discussed in this annual report.

Please refer to the final modified PMP document for more details on milestones for this indicator.

Reform A - This reform also relates to Indicator 3.2.a. as it concerns technical assistance provided to the GRM to create the new IPA. However, activities under this reform limit themselves to the legal aspects of the IPA.

The first two activities identified as a milestone for 2004 were actually achieved during the first year of the project. They are *Activity a) finalizing a study concerning the creation of a new investment promotion agency*; and, *Activity b) facilitating the development of texts and documentation for the new laws and decrees that support the creation of a new IPA*.

Activity c) Conduct and finalize a study on legal and regulatory constraints for agro-SME financing.

Agro-entrepreneurs in Mali generally experience problems having access to finance. A rapid survey done by the project's investment promotion specialist revealed that there are a number of constraints, mostly political, that restrict access to credit for agro-entrepreneurs. As a result, Mali Finance conducted a larger study to identify all of the constraints and proposed a political reform action plan that would focus on practical and specific concepts to achieve during the life of the project. The two main constraints identified are:

- Structural problems with Mali's legislation for finance, fiscal issue and banks structure, which requires legislative and regulatory modifications. For example, the elevated financial business taxes (TAF) is currently 15 percent on the interest rates and a judicial documentation for SMEs is non-existent.
- Finance problems require a change in existing practices. Commercial banks have serious difficulties due to inefficiencies in the judicial and legal system, low reimbursements rates of loans, and struggles in finding guarantees.

Several recommendations were made for improving access to finance. These relate directly to reducing the TAF to 5 percent for all investment projects; strengthening inspection services by judges; developing a communications plan to encourage promoters to pay their debts and have procedures in place to ensure guarantees; and allowing private entrepreneurs to have access and hold the title to land in the Office du Niger zone. USAID received a copy of this study.

Activity d) Conduct and finalize a study on creating a new authority to develop economic infrastructures in Mali

The new authority will be in charge of conceptualizing, managing, executing, and monitoring all economic infrastructure projects in Mali. Its objective is to increase the volume of actual investments in Mali by ensuring that an adequate infrastructure exists in which they can operate.

Since other countries in West Africa (Benin, Burkina Faso, Ivory Coast, and Senegal) already similar structures in place, visits to Senegal and Ivory Coast were part of the study to gain

information about experiences, successes, and difficulties in these two countries. This study was completed and submitted to USAID and the ministry. The ministry has acknowledged receipt of the study and informed the project that they will follow up by putting an independent authority in place.

Activity e) Assistance in the development of the amendments to the texts for the law and decree.

Mali Finance provided input and gave its recommendation on the draft documents for the law and decree proposed to the government. Work sessions were held with representatives of the Ministry of Investment Promotion to elaborate the documents needed to create the new IPA. The Cabinet of Ministries approved the documents in August and will be submitting them for approval by the National Assembly in the near future.

Reform B - In Mali, the CAS/SFD is in charge of promoting the microfinance sector and controlling microfinance institutions. For this agency to be more efficient in playing its role as controller, the GRM and different donors have decided that there is a need to create a specialized unit under the Ministry of Investment Promotion to promote the microfinance sector. This will allow the CAS/SFD, which would again fall under the Ministry of Finance, to focus on its job of ensuring that the requirements and conditions set by the monetary authorities are respected.

Reform B concerns the creation of a microfinance promotion unit at the Ministry of Investment Promotion. Only one activity was scheduled to be undertaken during the second year of the project; all other activities leading to achieving the milestone for Reform B are planned for next year.

Activity a) Assistance in developing text for the decree, the law, and any amendments.

Mali Finance worked in close collaboration with the CAS/SFD to develop the documents relating to the decree and law necessary to create a microfinance promotion unit. Observations and comments on the final versions of the documents were provided to the CAS/SFD and they are currently under review for approval.

All activities planned for this second year as outlined in the PMP under Reform A and B were executed and achieved at 100 percent. Reports that have become available during activity implementation have been shared with the appropriate partners.

2.3.4 Sub-IR 3.3 – Increase Access to Financial Services to all Populations

To increase access financial services to all populations, Mali Finance worked with two of the largest Malian microfinance networks with branches throughout the country. At the same time, the project gives assistance to a number of smaller microfinance institutions in the northern region of Mali (Timbouctou, Gao, Kidal) to help them expand their services and client base.

The purpose of the Accelerated Economic Growth Strategic Objective (SO9) is to increase productivity and incomes in selected agricultural sub-sectors in Mali. Many entrepreneurs look to microfinance institutions to finance their income-generating activities. Our project indicators

3.3.a and 3.3.b, which relate to the amount of savings and number of clients, are good indicators to measure the increase in MSME access to financial services.

Different types of entrepreneurial activities require a range of financial products. Mali Finance worked with microfinance institutions to develop new finance products that respond to the needs of agro-entrepreneurs in terms of equipment for rural agricultural operations. A third indicator measures the use of medium- and long-term loans that are linked directly to the need for longer-term financial services.

INDICATOR 3.3.A – Amount of savings at microfinance institution partner networks increased

Indicator 3.3.a – Amount of savings at micro finance institution partner networks increased					
Baseline value	2004 actual	2005 actual	2005 target (cum)	Variance from target	% target value achieved
12.6 billion FCFA	14.3 billion FCFA	17.6 billion FCFA	14.18 billion FCFA	3.4 billion FCFA	124%
US\$ 25.2 million	US\$ 28.6 million	US\$ 35.2 million (40%)	US\$ 28.4 million (12.5%)	US\$ 6.8 million	

Note: the change in amount of savings is measure by the percent change in the amount of outstanding savings with partner MFIs.

The results for this indicator show the achievements of two large partner micro finance institutions, Kafo Jiginew and Nyèsigiso, and two small institutions in the northern region of Mali, DOT in Tombouctou and Nayral Nef in Douentza. Savings at these institutions is not always linked to the amount of credit that can be disbursed and the size of their loan portfolio. It is, however, an important part of it. Having said this, the amount of saving in general remains the most reliable indicator for financial institutions in Mali. Savings deposited by clients increase the capacity of the microfinance institution to supply the market with ‘fresh money’ through the provision of credit. This is the basis for intermediation in finance. Especially the smaller and more fragile microfinance institutions in Mali must rely on savings to increase the credit they can provide to their client base.

Although many Malian microfinance clients may have problems due to lower cotton prices and increased prices for other goods in the market due to the crisis in Ivory Coast, most producers and entrepreneurs must have had a successful year as savings have grown tremendously and results for this indicator have been greatly surpassed.

Indicator 3.3.a – Disaggregated amount of savings at micro finance institution partner networks increased			
MFI network	Saving of clients (in FCFA)	% of Total	Growth rate
Kafo Jiginew	11,872,574,771	67.6 %	39%
Nyèsigiso	5,662,371,756	30.7 %	11%
DOT	9,020,000	0.05 %	-42 %
Nayral Nef	18,412,410	0.10 %	217 %
Total	17,562,378,937	100%	-

Note: The growth rate represents the increase in savings compared to last year's results.

The Kafo Jiginew network is the major contributor to achieving results for this indicator, with a 39 percent growth in savings, double the previous year's amount. Three important factors explain the results: a 12 percent increase in membership, a 15 percent increase in the price of cotton (which will not continue), and a high demand for cotton in the region. Most of the Kafo network branches are located in southern Mali, the most important cotton production zone in the country. Cotton represents the main cash crop for most agro-entrepreneurs in the southern region of Sikasso. Producers in this area count on their income derived from cotton production to pay for regular household expenses and to address any other emerging family needs.

Indicator 3.3.b shows that the Kafo network added 20,000 members to its clients' base during this past year. With an average deposit of 50,000 FCFA (US\$ 100) per member, their savings portfolio increased by one billion FCFA (US\$ 2 million). Cotton producers, which represent a large number of Kafo clients, received on average 200 FCFA/kilo during the 2004-2005 campaign, an increase of 15 percent over the previous year. That money was available for savings. Many cotton growers already knew that the GRM announced a lower price per kilo of cotton for the 2005-2006 campaign. The 165 FCFA/kilo they will receive for the upcoming harvest will barely cover production costs and they will not be able to save. In anticipation, growers maximized their current savings from the last harvest to cover household and enterprise expenses for next year. Since the government controls the price to the grower, Kafo Jiginew may not sustain the increased level of savings in 2004-2005 (MFIs report on a July to June year) in the next reporting year.

As the Nyèsigiso network covers more and other regions of Mali, its level of savings better reflects the average growth rate of the sector; this is considered a good result.

Our two partners in the northern region of Mali are younger institutions (in terms of number of years in operation), and currently have an unstable saving base. The level of poverty in this region (Tombouctou and Douentza) also makes them more vulnerable. In addition, the DOT and Nayral Nef are not "cooperative types" of microfinance institutions, but both are in "solidarity" groups. This type of microfinance institution does not collect savings, but only requires 10 to 20 percent of collateral for a loan amount. Thus, their performance in terms of savings is linked to their limited capacity to lend money.

The DOT did not receive any funding from donors this year, which explains the reduction in growth compared to last year and is transition into the Nyèsigiso network. Nayral Nef reduced its credit portfolio by 50 percent last year due to problems associated with the locust invasion. This year they returned to 2003 levels. Mali Finance continues to discuss developing 'voluntary savings' for both of these partners, making them less dependent on donors and banks to lend money.

INDICATOR 3.3.B - Number of clients registered with partner micro finance institutions

Indicator 3.3.b - Number of clients registered with partner micro finance institutions					
Baseline value	2004 actual	2005 actual	2005 target	Variance from target	% target value achieved
278,844	9% (304,752)	16% (323,503)	13% (316,265)	3% (7,238)	102 %

Note: the change in number of clients is expressed in percent change in the number of clients/beneficiaries registered with partner MFIs. The disaggregated results show that clients include women, men, and groups. Groups can be mixed, men only or women only. For reporting results, each group registered with a microfinance institution is counted as one client. This is consistent with the baseline calculations.

The number of clients registered with our partner microfinance institutions increased from a 9 percent increase over the baseline to a 16 percent increase in 2005, which is an excellent growth rate, allowing us to achieve our target for this year. By strengthening the capacity of the networks' senior staff and credit agents, Mali Finance can say it contributed to increasing the number of clients registered with its partner microfinance institutions.

Increased capacity allows the staff and different levels of representation of these institutions to inform its existing client base and potential new clients about the available financial services. Training provided through Mali Finance has enabled our partners' staff and agents to work more closely with entrepreneurs and sell their services, thus increasing the number of clients who register with the microfinance institutions.

As mentioned earlier, the **Kafo Jiginew** network is the main source of client growth this year. With its 140 branches in the regions of Koulikoro, Ségou, Sikasso, and the district of Bamako, they should have a natural increase during the year. It was 10 percent last year. This year their growth rate went up to 12 percent, which is partially due to the provision of a financial credit product for inputs for cotton production at a preferential interest rate of 10 percent, done in partnership with the CMDT. At the same time, Kafo benefited from a credit line with the European Bank of Investment. This allowed producers to access credit, and thus inputs, at very low costs, which in turn increased the number of people accessing credit through the Kafo network.

The **Nyèsigiso** network is currently in the process of merging their branches, bringing the total from 40 to 11 branches with service points. During this process, they are also computerizing their network. While doing this, they cleaned up their client base and eliminated clients, who had not used the network for more than two years, from their official records. This explains why Nyèsigiso has seen a decrease of four percent over this past year; however, figures are current and represent the most up-to-date information for the network.

The **DOT** in Tombouctou has a stable client base of 4,475 registered clients. The goal is to keep this base and give them the same level of credit to satisfy the clients. When their merger with the Nyèsigiso network is completed, they will be able to expand while still being able to provide the same level of services and credit.

Nayral Nef in Douentza represents a special case. During the project's first year, the locust invasion severely attacked the Douentza area in the Mopti region creating a severe food shortage. Nayral Nef decided not to lend money and instead supported the World Food Program (WFP) and other donors in providing food to the population. As a result, they were not able to expand their client base. This past year Nayral Nef restarted lending activities and returned to their 2003 level. Now Nayral Nef intends to increase its client base without necessarily expanding its geographic outreach as part of a three-year strategy developed with assistance from Mali Finance.

The table below gives a breakdown of the total number of clients registered with the partner MFIs, disaggregated into three beneficiary groups.

Indicator 3.3.b – Disaggregated number of clients registered with partner micro finance institutions					
MFI network	Women	Men	Groups	Total	Growth rate
Kafo Jiginew	51,237	136,172	10,676	198,085	12%
Nyèsigiso	35,610	71,909	10,354	117,873	-4%
DOT	2,370	2,105	-	4,475	49%
Nayral Nef	2,723	347	-	3,070	35%
Total	91,940	210,533	21,030	323,503	-

Note: The growth rate represents the increase in clients compared to last year's results. Data is for the reporting year July 2004 through June 2005

Even though MFIs make a special effort to attract women clients by working with women credit agents that focus mostly on women's activities and groups, the percentage of women registered with MFIs remains relatively low, at 28 percent.

The majority of "groups" at **Nyèsigiso** are women-based groups. These are known as the "groupement CEE" - *Crédit Épargne et Éducation* (Credit and Saving with Education). They were part of USAID's Freedom from Hunger project that included education, savings, and credit activities. This system is based on the Grameen Bank microfinance success, where four to five groups of five to six women each are part of the women-based group. Each woman acts as a guarantor for the other members in her sub-group and each sub-group acts as a guarantor for the groupement CEE. Although this program has ended, Nyèsigiso developed new credit products for these women's groups that have been successful, and still represent about 50,000 women. If we include these estimated figures of group beneficiaries in our calculation, the percentage of women clients increases to 37 percent for the sector (52 percent for Nyèsigiso network), which reflects a more average figure for the microfinance sector in general.

The **Kafo network** saw a drastic drop in the number of women clients when this USAID project ended. The Kafo strategy was to ask the women to become individual members of Kafo instead of group members. This ended the CEE strategy. Some women became individual members, who increased the number of clients rapidly, but the majority of poor women approached the women's microfinance program of Soro Yiriwaso, another Malian microfinance network that was supported through Save the Children USA and funded by USAID. As Kafo Jiginew has historically geared most of the financial services to cotton producers, their client base consists mostly of men.

DOT, which has received support through the USAID funded project of Africare, has nearly 53 percent women clients. Africare's past commitment to reduce poverty in the Tombouctou circle was heavily subsidized and could not stand alone. DOT now uses a strategy in which they attempt to increase access to poor women by approaching them in groups of three women, and that client base still exists and can be build on.

The majority of clients in the **Nayral Nef** network are women. This year we encouraged them to open up their services to men as well, and to promote saving accounts, which would give them more options for lending. However, their strategy will continue to focus primarily on women, as they have good experiences with women clients paying back loans. Mali Finance will continue to work with partner MFIs in finding ways to increase outreach to women, particularly in the northern region of Mali.

INDICATOR 3.3.C - Number of long and medium term loans provided through targeted micro finance networks in targeted areas

Indicator 3.3.c - Number of long and medium term loans provided through targeted micro finance networks in targeted areas						
Baseline value	2004 achieved (cum)	2005 actual	2005 achieved (cum)	2005 target (cum)	variance from target	% target value achieved
50	85	80 (19% ♀)	165	276	111	60 %

The figures in 2004 and 2005 are for that year alone. Thus, the cumulative figure is the sum of the two years under the project less the baseline.

Two limiting factors explain the disappointing results in the number of long and medium-term loans provided through targeted micro finance networks:

- **Kafo Jiginew** did not start providing mortgage loans after receiving the training by Mali Finance during the last quarter of 2004. As a couple of dossiers were already in the pipeline at the start of Mali Finance's partnership with Kafo, we had high expectations for this particular activity. However, the institution's general director felt the need to hire a senior staffer to overview this operation as this could have a major impact on the Kafo Jiginew balance sheet. At the same time, he also decided to computerize the Bamako branch. During the last quarter of this project year, Kafo advertised for the position but was unsuccessful in finding a qualified candidate. The director is hesitant to launch the new product until he finds someone qualified to manage this new portfolio. Mali Finance will continue to work with Kafo during the first quarter of the third year to assist the director in his effort to launch this new product.
- The launch of medium-term credit with **Nyèsigiso** in the Niger Office zone was delayed until June 1, 2005. As this is a pilot credit activity, there is a need for flexibility and possible modifications where and when necessary. After receiving the first dozen dossiers, Mali Finance recommended that Nyèsigiso change some of its conditions on medium-term credit products based on client feedback. Due to the extended absence of the general director during this period, these changes had not been made immediately.

The project's microfinance team will meet the senior staff to discuss any outstanding issues and push for the rapid and widespread introduction of this medium-term product in the Niger Office zone.

Initially, all of the studies and the training related to the new medium-term credit product were done for all three microfinance networks in the Niger Office zone (FCRMD, CVECA-ON and Nyèsigiso). Due to issues internal to the institutions, FCRMD and CVECA-ON were not able to obtain a credit line for medium- and long-term credit. When Nyèsigiso launched the medium-term product, the other two came back to us and wanted our help introducing this product as part of their network's services. Mali Finance will work with the FCRMD and CVECA-ON on this activity during the coming year.

The issues described above show that medium and long-term credit products are new to most microfinance institutions. As a result, they are cautious about introducing a completely new product to their existing financial services. The microfinance situation in the Niger Office zone is a particular case. Unless FCRMD and CVECA-ON can diversify their services from the provision of input credits, their profitability level will remain low. The microfinance donor committee has started a rural committee to discuss this major problem. Discussions with the institutions will be held next year to address this issue. The USAID AEG team and Mali Finance are participating in the rural committee to ensure close follow up on activities and interventions that will be proposed during the next year.

Even though challenges for introducing new products will continue to present themselves, Mali Finance will work more closely with its partner institutions to ensure an increase in the number of long and medium-term loans over the coming year. More intensified collaboration with our partner projects, TradeMali and Prodepam, will most likely also increase the demand for these types of loans.

SECTION 3 – THE CURRENT YEAR (2004-2005)

3.1 Achievements

The second year of the project, which covered the period of September 2004 through August 2005, has shown good results at many different levels of project activity implementation. The better part of these activities flow directly into the project's indicators, as reported in section 2, Results. However, a number of efforts and activities came out of enhanced teamwork and improved project management and organization for which a brief description will be provided in this section of the annual report. In addition, the project was confronting challenges, based on which adjustment to the program would be made for executing next year's project activities (see Section 3.2).

3.1.1 PMP Results

As described in Section 2.1 on the PMP and Results Framework and 2.2 Data Reporting of this report, serious efforts were undertaken during the past year to improve and solidify our results reporting by modifying the PMP and developing new methods for collecting quality data. This has enabled us to provide better and more detailed results reporting (see section 2), while responding directly to USAID's reporting needs for not only SO9 results, but also for the purpose of IEHA performance indicators.

Out of the 11 indicators that Mali Finance currently reports on, eight were achieved at 100 percent or more, one was achieved at 93 percent, one indicator was achieved at 75 percent and only 1 indicator stayed behind with an achievement level of 60 percent. We will make every effort during the coming year to keep up the results we achieved and improve in the areas where results were less than we targeted to ensure that we would satisfy our donor and our targeted Malian clients, the beneficiaries of our activities. Please refer to Annex A for a summary of the results achieved for all project performance indicators.

3.1.2 Mali Finance Team and Project Management

During the second year of the project, changes took place in staffing the project team. A number of people left and new employees were hired. The departure of the chief of party led to a change in project structure. Though not an easy period for the project team, it has given the project an opportunity to start with a new approach to project management and reinforce the team spirit among all project employees.

A number of employees were promoted from within the organization to recognize new skills and strengthened performance and teamwork. The current project management approach encourages close interaction between technical components and collaboration in implementing activities that was lacking during the initial start up year of project implementation. The interrelated nature of our results shows that intra-component efforts in training and the provision of technical assistance to beneficiaries yield more solid achievements. Entrepreneurs, BDS providers, financial institutions, and partner projects receive a package of technical expertise, instead of bits

and pieces of information and assistance. Additional efforts will be made during the coming year to reinforce this approach and ensure that increased teamwork at Mali Finance yields results.

3.1.3 Communications

Mali Finance has made great efforts to improve internal and external communications as part of the new organizational structure, the change of management approach, and the introduction of the new knowledge management and project integration component.

To respond better to the needs and concerns of USAID, weekly meetings are now being held with the CTO to discuss any issues related to programming, management, and administration of the project. This forum also provides an opportunity to share exciting activities and give regular updates on a number of ongoing activities. The monthly activity reports, which have only been developed for June and July, are also part of this effort to keep USAID better informed about our projects and communicate new developments and general results. Even though annual progress reports are the only contractual requirement, the Mali Finance team plans to provide quarterly activity and results reports starting in year three of the project.

Other forms of communication and information distribution that have been used when appropriate and possible, such as media involvement in publishing articles in *l'Essor* and *le Republican* and TV and/or radio recordings were broadcast on Mali Finance organized and supported events and training.

Even though the communication specialist position has been vacant during parts of the past year, a number of success stories were developed (see Annex B) as part of our efforts to better present the successes achieved. With the recruitment of a new communication specialist at the start of year 3, we hope to continue to improve communications and information sharing on our activities and successes with USAID, partner projects, and the public in Mali. Our hope is that some of the Mali Finance success stories will be posted on the USAID/Mali Web site to reach an even greater audience, including U.S. government representatives around the world and the American people.

3.1.4 Gender Mainstreaming

All project components have placed a special focus on gender considerations to respond to USAID's concerns.

Over the past year, we have seen microfinance institutions increasingly work through women credit agents to target women's groups and enterprises. However, the work environment for BDS providers and bank representatives is dominated by men. This is related partially to the traditional educational background of Malian professionals and their perceptions about the microfinance environment.

The overall achievements reported in section 2 of this report have shown results disaggregated by sex. For most indicators, we were able to report that the percentage of women beneficiaries varied between 25 percent and 50 percent. Even though we are not displeased with these results,

we would like to increase women's involvement in our partner organizations and targeted beneficiaries. Closer collaboration on programming and understanding gender roles with partners will likely increase these numbers for next year. When and where possible, the DCA program will be used to reduce the need of guarantees. For cases that are bankable and acceptable to BICIM, this will help women gain access to finance.

The continued focus on activities and partner institutions in the northern region of Mali will have a positive effect on gender considerations as our partner microfinance institution particularly target women for their financial services provision.

Collaborative efforts with Prodepam, TradeMali, and the module for rural women, which is being developed with a number of other USAID partners, will reinforce our plans to expand outreach to women for increased access to finance. As part of applying a good gender approach, we will achieve more impact in using a value chain approach through close collaboration with Trade and Prodepam. The women-based cooperative activities in Sikasso for the potato sector are a great example of a development that advances women.

Lastly, we are doing more at the project level to promote some of our women staff from support staff to junior professional positions.

3.1.5 Synergy and Partner Collaboration

Throughout the second year of the project, Mali Finance has reinforced its activities relating to synergy and partner collaboration. Based on activities begun during the first year and the mandate from USAID, additional collaborative efforts were undertaken with the SO9 partner projects.

Signing the protocols with PRODEPAM and developing the medium-term credit loan product for agricultural producers in the Niger Office zone should begin bearing fruit for agricultural production activities in the coming year.

Mali Finance's technical assistance on the rice credit stock (warehouse receipt program) activities to different members of the mango GIE TEM in Sikasso have been crucial to some of the Trade Mali's activities related to marketing and trade of agricultural products. This is also the case with the development of business plans for potato producers/exporters and the abattoir in Markala. All three projects have well established programs. The opportunities for increased collaboration and success stories because of implementing USAID's SO9 projects will grow during the coming years.

Increased collaboration with our direct partners, such as our BDS providers, the financial institutions and the GRM, and the different agreements reached and protocols and contracts signed have had a tremendous impact on the results achieved. Good relationships with project partners, who are also our project beneficiaries is key to ensuring a smooth implementation process and building capacity to guarantee sustainability and continuation of activities in future years.

As part of our increased collaboration with financial institutions, we have intensified our contacts with the BICIM bank to push for the ‘revival’ of the DCA program. Even though this process is slow and the bank does not seem overly excited about the opportunities the DCA program has to offer, the BICIM informed us that they would fund three projects proposed to DCA program guarantee loans before the end of the 2005 calendar year. The project’s investment promotion specialist continues to monitor this activity and will build and improve relationships with the BICIM and possibly other banks, to get the DCA program off the ground in Mali.

The partnerships formed with other donors and projects working in the domain of finance in Mali has helped to make our project activities stronger and more focused and prevented duplication of efforts. This level of collaboration has also given a way to leverage funding for Mali Finance. One clear example is the pool of BDS consultants that have been trained and are continuously supported and given technical assistance and advice by the project.

The results achieved under indicators 3.1a and b relating to non-project subsidized business development services and indirect training sessions provided this year indicate the involvement of another donor or partner project that provided leverage by giving financial or material support to make these activities happen. We hope to increase the BDS market demand and expand outreach with this approach, and we will continue to promote our BDS providers with other donors and projects in future years.

Investment promotion activities related to creating the new IPA have been done in collaboration with donors, including USAID, the World Bank and MIGA, from the very beginning. A joint program will be developed to launch the government’s Investment Promotion Agency.

A well functioning donor committee is currently in place for microfinance projects and activities. Mali Finance, with USAID, is always present and actively participates in meetings and discussions about this sector. Two major initiatives were begun during this past year:

- A rural committee of the Niger Office was put in place to discuss the particular challenges related to adequate finance for this area. Major players in this area are the Dutch, French (AFD), and the Canadians. Clarifications on short-term credit and the relationships between MFIs, banks, and producers will be a next step toward discussing the limited availability of medium-term credit in the Niger Office zone.
- The GIRAFE training provided by Planet Finance as part of the Mali Finance project activities set off a new development in the microfinance sector. After struggling for over a year to interest MFIs in being rated, the training helped them understand the importance of opening their books to the international finance community. Following this training, donors have agreed to offer a rating during the next year (as a kind of audit for the microfinance sector, which is required under the new Malian Microfinance Action Plan) to the majority of local microfinance institutions. This level of donor coordination will be of major importance to the successful development and professionalization of the microfinance sector in Mali in the following years.

Even though we acknowledge that maintaining and expanding relationships with partners, increasing collaboration, and implementing activities in a synergistic manner is very intense and requires a lot of time and effort, Mali Finance will continue to give its best during the next year of the project to achieve even better results.

3.2 Challenges and Lessons Learned

Even though we tried to overcome most challenges when confronted, certain obstacles stand in the way of successful project implementation and will have to be addressed during the next year of the project.

3.2.1 Budget and Program Management: A Change in Approach

Internal to the project, as described in Section 1.2 of the report, there have been some major changes to the management of the program due to the sudden departure of the former chief of party and his particular management style. We believe we have succeeded in addressing the most urgent issues by changing the project's organization, and we will continue to work on improving program management, organization, administration, and communication.

At the same time, the project experienced budgetary problems due to the project's prior strategy of subsidizing cost of BDS and insufficient monitoring of the budget and expenditures. Even though efforts were made to correct these problems quickly, commitments on a number of activities had been made through the end of the project's second year. The new COP and the Washington, D.C.-based Chemonics Project Management Unit completely reworked the budget for the last months of year two and the entire third year of the project to better control spending, develop a number of specific project activity expense line items for the coming year, and ensure that monthly expenditure remains within a reasonable range.

To demonstrate sound financial management, the project changed its approach to BDS and investment promotion related activities. Leveraging donor and partner projects, as described in section 3.1, have not only become a priority during the last half of the past year, but will remain a priority for year 3, realizing that funding through other projects and donors is not always assured. The project staff will increase its effort during the next years of project implementation to ensure that we can continue to achieve our targeted results. At the same time, BDS providers and consultants will have to understand that financial support can no longer be provided to cover their high fees and entrepreneurs will have to make a serious effort to contribute more for the services they receive.

Linked to the problems of budget overspending, the project will also have to reduce the use of subcontracts with its international partners, such as Making Cents, Bankworld, Enterprising Solutions, and Weidemann and Associates. In addition, as part of a new orientation and related strategy, the use of a contracting NGO to represent Mali Finance in some regions and the start-up of the new Investment Promotion Agency are other important factors that reduce our capacity to use our sub-contractors. We will begin discussions with USAID to modify the performance fee results, as they were linked with the use of our sub-contractors.

3.2.2 Synergy and Partner Collaboration

Even though major improvements were achieved this year in bolstering collaboration between partners, resulting in successful activities, this has also been a challenge. The project priorities of the three SO 9 partners (TradeMali, Prodepam, and Mali Finance) are not always aligned; this makes collaboration difficult.

Outside of a number of BDS providers, Mali Finance has not had a direct presence in most regions, except for Mopti/Sevaré, where our field office is based and two technical experts are available. This has sometimes led to difficulties and shortcomings in partner collaboration. We are working to address this issue by signing a contract with at least two local NGOs in the Sikasso and Segou/Niono area, to increase Mali Finance's representation and presence in these regions.

Other difficulties relate to a difference in the pace of implementing project activities. The fact that loan application and granting activities are rather slow — especially with banks — and our partners tend to implement project activities at a faster pace has not always helped to make synergy successful. Collaborative efforts for such activities must be planned better in the future to allow enough time for applications to be developed and loans to be granted, which would be used for agricultural campaigns or the exportation of produce.

True collaboration and synergy requires not only providing human resources, but also sharing financial resources. All partners involved have to invest themselves and share responsibilities for making a synergistic process successful. Mali Finance, as well as other projects, could do a better job of combining efforts and resources, which sometimes will also mean shifting priorities to serve other projects. Additional efforts will be made to seek out opportunities for synergy with other USAID projects related to governance, education, and health.

SECTION 4 – OUTLOOK FOR 2005- 2006

Achievements, challenges, and lessons learned from the second year of project implementation presented us with a number of key activities and focus areas on which we have to improve, continue, or reinforce our efforts during the coming year. This section offers an overview of the main activities and issues to be addressed during the third year of the project. The work plan for 2005-2006 will provide more details on when, where, with whom, and by whom these activities will be implemented.

4.1 SO 9 Collaboration

Now that the local NGOs that collaborate with Prodepam are in place, the third year of project implementation will allow the development of more synergistic activities with this major agricultural project. While they will work with producers associations, we will give assistance to the individual agro-entrepreneurs and SMEs. We will continue to give technical assistance and advice for water distribution associations for irrigated rice production. The expansion of the rice-based warehouse receipt program will be continued in collaboration with TradeMali. We will also work closely with them in the mango and potato sectors.

4.2 Synergy and Gender Mainstreaming

One of our main goals for the next year is to develop training modules for grassroots women's associations of other USAID projects. The training modules will be geared towards income generating activities of rural women and address questions related to creating and managing an enterprise, demand and supply of services and market dynamics, basic accounting, and MSME best practices.

As the rural women targeted by partner USAID projects are often illiterate and have received very little or no basic education, the module will be developed in the local language and many visuals will be designed to transfer knowledge and skills. Women's associations who receive this training will be linked with microfinance institutions more easily, thus allowing them to have better access to finance.

With the start of the third project year, we will also start developing these modules and hope that they are ready for widespread implementation in December. The development of these modules will require active involvement of other USAID projects and their local NGO representatives. By diffusing and applying these modules, we will have a direct impact on gender and reinforce our efforts and approach in terms of gender mainstreaming.

4.3 Engaging Local NGOs

Contracts will be developed and signed with at least two local NGOs to increase project representation and presence. During the first two years of the project, Mali Finance used BDS providers and consultants to assist in the diffusion of BDS best practices. For the third year, we plan to work with some local NGOs to ensure that we have a greater presence on the ground in areas where our assistance is most needed.

This will allow us to serve our SO 9 partners, TradeMali and Prodepam. This new approach will also permit us to work more directly with agro-entrepreneurs, to help them have greater access to finance. We will continue to work closely with our BDS providers, in helping them to develop their market and expand their business by linking them with other projects and entrepreneurs. Through our BDS providers and new NGOs partners, we hope to spread training modules such as Micro Plan and ComptEx to an even greater geographic zone and more beneficiaries.

4.4 Emphasis on Northern Mali

The northern region of Mali will remain a major emphasis for the next year, recognizing that opportunities continue to be limited in this region. The fusion of the DOT and Nyèsigiso network should be realized during this year, which would enable our partners to increase access to finance in the Tombouctou region.

We will strengthen the local microfinance institution in Kidal and link it with banks and other projects to ensure the necessary level of liquidity needed for successful operations. In providing support to the microfinance institution in Kidal, will also work with a local NGO in this area to provide technical and financial support to produce camel cheese.

Camel cheese production is one of the few opportunities for economic development that is specific to this area and appears to be well organized. Taking advantage of this opportunity, Mali Finance will support the camel cheese NGO, which will be a joint effort with the TradeMali project that began the initial contact with producer groups in this area.

4.5 Development Credit Authority Program

This year will be critical for the DCA program with the local bank BICIM. After numerous meetings and discussions, the BICIM expressed its interest using the guarantee program for a minimum of three investment projects this year. We will continue to monitor any activities to make sure that DCA is used before the end of the calendar year. If no transactions are completed, we will discuss the situation with USAID and may have to reconsider using and applying a DCA program in Mali.

4.6 Government Interaction

The third year of the project is likely to see more government interaction, mainly with the Ministry of Investment Promotion and SME. Mali Finance will play an important facilitating and advisory role in the creation and start up phase of the new Investment Promotion Agency. The IPA will be crucial in the government's ability to promote investment opportunities in Mali. In addition, we will also help them develop a microfinance promotion unit, while continuing our support to the CAS/SFD, the government's supervising agency. One of our goals for increasing and improving interaction with the government is to maximize synergistic opportunities with other partners.

4.7 Peace Corps

The U.S. Peace Corps will be a new partner in our interaction with the Government of Mali as we hope to assign a Peace Corps volunteer directly to the Ministry of Investment Promotion. This volunteer would also work in close collaboration with our investment promotion and financial institutions specialists. Other possibilities for this kind of tripartite collaboration could be with APIM and partner microfinance institutions.

Opportunities for assigning volunteers directly to our project in the interior of Mali (possibly in Bandiagara and/or Sevaré) are currently being discussed and will be explored further for the new group of volunteers in June 2006.

Additional training sessions in Micro Plan for new SED volunteers and monitoring volunteers trained during the last year will be done in collaboration with the Assistant Peace Corps Director for Small Enterprise Development (SED) program.

4.8 Rating for MFIs

Compared to other African nations, Mali has a microfinance sector that is moving towards true professionalism. One important weakness is that financial institutions are missing the level of confidence needed to establish international relationships with technical partners and foreign institutions for financial resources. Our training in last year's GIRAFE rating methodology opened the door for discussions on rating with microfinance institutions.

In collaboration with other donors, finance related projects and USAID, Mali Finance would like to push for a rating of major microfinance institutions in Mali, which would represent more than 95 percent of the assets for the sector. The challenge will still be to persuade the selected MFIs to accept the rating process. We hope to make progress during the coming year since the impact of this exercise is critical to the microfinance sector.

4.9 Project Continuation

We hope that improvements in project management, organization, and implementation and continued achievement of quality results during the next year will convince USAID to give the Mali Finance project the two option years in the contract. Planning project activities and maintaining relationships and constructive levels of collaboration with our partners, beneficiaries, and other projects and donors will be based on possibilities for continued project implementation beyond the third year of the project. The possible end of this project in August 2006 would greatly discourage the Mali Finance team and will have an impact on the results if close out procedures needed to be conducted during the next year of project implementation.

Efforts that have already begun in building the capacity for our BDS providers and financial institutions and activities relating to policy reform and improving investment promotion in Mali are long-term processes with long-term impacts. Discontinuing these efforts would mean loss of time and resources invested through our project activities. We expect to be able to continue to build on what we started and achieved over these past two years until at least 2008.

ANNEX A

Summary of Performance Results

Indicator Description	2004 Result	2005 Achievement	Cumulative Achievement	2005 Target (cum)	% Achieved	Observations
Ind. 3a - Number of loans provided to agro-entrepreneurs accessing credit through banks	8	10	18	14	129%	Due to the efforts of our BDS partner ACOD in Sikasso, we achieved more than our 2005 target. Partnership with those intermediaries is key to reducing perceived risks for bankers.
Ind. 3b - Number of investment projects realized	1	2	3	3	100%	Two investment projects received bank loans, a third one was self-financed. Projects like these took an average of one year to get finance.
Ind. 3c - Number of loans provided to entrepreneurs accessing credit through MFIs	203	589	792	494	160%	Results include long and medium-term credit (Ind. 3.3.c). These results reflect a better than expected use of our training by the credit field agent of our microfinance partners.
Ind. 3.1.a - Number of business development services purchased through partner BDS providers by entrepreneurs	58	59	117	126	93%	Much effort was made with the new project approach for BDS, but results did not just achieve the set target. BDS providers still need help to develop their markets.
Ind. 3.1.b - Number of individuals trained in business development services	240	704	944	905	104%	Indirect training activities provided through BDS partners paid off.
Ind. 3.2.a - Capacity of the GRM to promote investment opportunities	- (new indicator)	Milestone 1 at 75%	75%	Milestone 1 at 100% (25% of total)	75%	With the exception of one activity that accounted for 25%, which was scheduled for August, all activities planned for milestone 1 in the second year of the project were achieved.
Ind. 3.2.b - Number of investment opportunities developed	2	5	7	5	140%	Exciting progress for investment opportunities; hopefully, these will result in more disbursements.
Ind. 3.2.c - Number of assisted regulatory and legal reforms implemented	Reform A - 70% Reform B - 0%	Reform A – 25% Reform B – 25%	Reform A - 95% Reform B - 25%	Reform A - 95% Reform B - 25%	100%	Policy development processes are slow, but milestone related activities now help us track the progress made with our assistance.
Ind. 3.3.a - Amount of savings at MFI partner networks	13%	40%	47%	12.5%	124%	This result is mainly from Kafo; it should be considered exceptional. We will re-evaluate baseline and targets, with new partners to come.

Indicator Description	2004 Result	2005 Achievement	Cumulative Achievement	2005 Target (cum)	% Achieved	Observations
Ind. 3.3.b - Number of clients registered with partner MFIs	9%	16%	16%	13%	102%	Good progression of clients is a measure of the possibility of institutional development of our microfinance partners.
Ind. 3.3.c - Number of long and medium-term loans provided through targeted MFI networks.	85	80	165	276	60%	Our main partners, Kafo Jiginew and Nyesigiso, did not start or delay the launching of their new products developed. Expected results in 2005.

Note: Ind. 3.c, 3.3.a, b and c cover the period of July 1, 2004 through June 30, 2005, all other indicators cover the period of September 1, 2004 through August 30, 2005.

Ind. 3.a - Number of loans provided to agro-entrepreneurs accessing credit through banks in targeted areas				
BDS Partner	Loans to women	Loans to men	Loans to groups	Regional breakdown
ACOD	2	-	8	Sikasso

Ind. 3.b – Number of investment projects realized			
Investment Partner	Loans to women	Loans to men	Regional breakdown
BDM SA	-	1	Bamako
Foreign Investment (Iranian)	-	1	Ségou (Markala)

Ind. 3.c – Disaggregated number of loans provided to entrepreneurs accessing credit through micro finance institutions in targeted areas				
MFI network	Number of loans	Loans to women	Loans to men	Regional breakdown
Nyesigiso	103	18 = 17%	85 = 83%	Ségou - 78; Bamako - 25
Kafo	305	123 = 40%	182 = 60%	Koulikoro – 43; Sikasso - 262
DOT	141	80 = 57%	61 = 43%	Tombouctou – 141
Nayral Nef	40	34 = 85%	6 = 15%	Mopti (Douentza) - 40
Total	589	255 = 43%	334 = 57%	

Ind. 3.1.a – Disaggregated number of business development services purchased through partner BDS providers by entrepreneurs in targeted areas		
	2005 actual	Regional breakdown
# of subsidized services	16 (50% ♀)	Bamako -7; Mopti -6; Koutiala -1; Ségou – 1; Tombouctou -1
# of non-subsidized services	43 (28% ♀)	Bamako -17; Koulikoro -3; Mopti -11; Sikasso -10; Gao -2
Total	59	

Ind. 3.1.b – Disaggregated number of individuals trained in business development services in targeted areas		
	2005 actual	Regional breakdown
# of individuals trained directly	382 (32% ♀)	Bamako -143; Sikasso -49; Ségou -68; Mopti – 35; Tombouctou -17; Gao -52; Kidal -18
# of individuals trained indirectly	322 (56% ♀)	Bamako -170; Sikasso -33; Kayes -14; Mopti -40; Kidal -25; Gao -40
Total	704	

Indicator 3.2.b - Number of investment opportunities developed				
Investment project	Investment Partner	Women-led	Men-led	Regional breakdown
SOTRACOM	BSIC SA; BCS SA	-	1	Bamako
SOFACO	BDM SA	-	1	Bamako
SOMAFEM	BNDA	-	1	Bamako
SOJUMA	Not yet submitted	1	-	Koulikoro (Tlomadio)
FAK	Personal investment	-	1	Koulikoro (Kassela)

Indicator 3.3.a – Disaggregated amount of savings at micro finance institution partner networks increased					
MFI network	Saving of clients (in fcfa)	savings for women	savings for men	saving groups/ pers. morales	Regional breakdown
Kafo Jiginew	11,872,574,771	<i>Kafo does not have this info available; we are negotiating with them to provide more details.</i>			Bamako – 799,479,739; Koulikoro - 1,942,999,506; Ségou -423,209,395; Sikasso -9,564,938,001
Nyèsigiso	5,662,371,756	989,743,387	3,301,410,153	823,288,528	Bamako -2,627,524,137; Koulikoro - 434,765,868; Kayes -109,364,129; Ségou -1,751,438,737; Tombouctou - 191,349,197
DOT	9,020,000	4,700,000	4,320,000	-	Tombouctou – 9,020,000
Nayral Nef	18,42,410	14,915,639	3,496,771	-	Mopti (Douentza) – 18,412,410
Total	17,562,378,937				

Indicator 3.3.b – Disaggregated number of clients registered with partner micro finance institutions					
MFI network	Women	Men	Groups	Total	Regional breakdown
Kafo Jiginew	51,237	136,172	10,676	198,085	Bamako – 4,190; Koulikoro -38,001; Ségou -10,514; Sikasso -145,380
Nyèsigiso	35,610	71,909	10,354	117,873	Bamako – 62,392; Koulikoro -9,149; Kayes -2,917; Ségou -41,627; Tombouctou -1,788
DOT	2,370	2,105	-	4,475	Tombouctou – 4,475
Nayral Nef	2,723	347	-	3,070	Mopti (Douentza) – 3,070
Total	91,940	210,533	21,030	323,503	

Indicator 3.3.c - Number of long and medium term loans provided through targeted micro finance networks in targeted areas				
MFI Network	Loans to women	Loans to men	Total of long and Medium term loans	Regional breakdown
Nyèsigiso	15	65	80	Bamako

Success Stories and Activity Descriptions

B-1 Launching Mid Term Credit in Mali

B-2 Supporting Business Advisory Bureaus in Mali

B-3 Making Francs with Micro Plan

B-4 Mali is on its way to creating a new Investment Promotion Agency

B-5 Investing in a Promising Joint Venture

Launching Mid-term Credit in Mali

A new, much needed and awaited product was developed by Mali Finance to satisfy the needs of not only many agro-entrepreneurs, but also those of microfinance institutions and agricultural equipment suppliers.

The zone where the Niger Office¹ is based has been known as the agricultural center in Mali. Many small agricultural producers live in this area under extreme poverty, and one of their problems is the lack of access to financial resources to acquire adequate agricultural equipment.



Large irrigated agricultural potential in the Niger Office zone

Even though the suppliers of agricultural equipment and machinery in this zone produce sufficient materials, they have difficulty selling off their products, as many agricultural producers do not dispose of enough financial resources to purchase equipment directly from suppliers.

A mid-term credit product intended for ‘light equipment’ (ploughs, harrows, oxen) was put in place in 1984 with the help of Project ARPON in collaboration with the village associations, and everyone was equipped with a thresher for harvesting rice. The majority of agricultural producers working with the Niger Office were equipped during that time. However, over the years many families expanded leading to fragmentation of land area and division of agricultural equipment. In addition, the land redistribution in the zone has also led to a reallocation of materials.

As a result, the number of small producers has increased, but they are left with smaller plots, fewer possibilities for expansion, and a need for additional equipment. Most agricultural operations appear to be profitable, but the size of the operations and general family and household obligations often do not permit producers to reinvest in the much needed agricultural equipment.



The availability of basic agricultural equipment to micro and small agricultural entrepreneurs can have a major impact on their ability to increase production and household revenues.

The increased need for equipment has had a major impact in this zone and has resulted in a number of problematic issues:

- Individual credit has taken the place of credit for village associations.
- As a result, the village association faced serious difficulties functioning.
- The agricultural credit has now limited itself to agricultural campaigns only.

¹ The Niger Office, or Office du Niger, has been the center for a well developed system of irrigated agricultural production for many years. The area is located, just north of Segou.

Given these issues, the question of availability of equipment for agricultural production has become even more relevant. To address this issue, Mali Finance, as a partner project under USAID's Accelerated Economic Growth strategic objective for Mali's agricultural sector, has worked with the existing microfinance institutions in the Niger Office zone to develop a product that would solve this problem and respond to the needs of all stakeholders. A market study was conducted about the availability of agricultural equipment in the zone and a new product, mid-term credit, was conceptualized. In analyzing all factors, it was decided that the mid-term credit product to be offered to micro and small agricultural producers should be based on a lease credit principle. This type of credit will likely improve relationships and collaboration between financial institutions, equipment suppliers, and agricultural producers.

The following steps were involved in developing a mid-term credit product for the Niger Office:

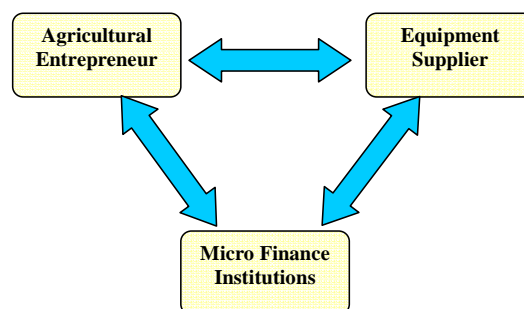


A variety of agricultural materials could be sold and purchased with the availability of mid-term credit.

- Identifying five equipment suppliers: CAFON, DRIGOR, AAMA, Moustapha Coulibaly, and Mamadou Coulibaly. Purchase contracts were signed between these suppliers and Nyèsigiso, a local microfinance institution.
- Designating the types of equipment for which the credit should be used, for example a plough, a thresher, draught oxen, donkeys, and a hand or pushcart.
- Creating the actual mid-term credit product, which will be granted to agro-entrepreneurs based on a three-year loan term at 14 percent interest every year.
- Strengthening the capacity of the three microfinance institutions operating in the Niger Office zone, Nyesigiso, FCRMD, and CVECA of the Niger Office. These institutions will receive training geared toward offering mid-term credit loans and analyzing mid-term credit and the reimbursement capacity of entrepreneurs according to the size of their operations and the length of the loans requested.
- Introducing and disseminating this new product in the Niger Office zone through mass diffusion of radio messages in Bambara via the rural radio in Niono and the publication and distribution of folders and posters explaining the use of mid-term credit loans.

The provision of mid-term credit will work as follows:

1. The microfinance institution will purchase the equipment from the supplier after a procurement contract has been signed, which stipulates the conditions for execution.
2. The microfinance institution hands the equipment over to the agricultural producer, who will not become proprietor until his/her mid-term credit loan has been fully reimbursed.
3. The advantages of this system are that (1) the supplier can sell off his equipment quicker and more directly for hard cash; (2) the agricultural producer will have direct access to equipment that will allow him/her to increase production; and (3) the microfinance institutions give out more loans, and thus increase their clientele and improve their level of viability.



Based on the market study conducted in the zone, the expressed needs of the agricultural producers in the area added up the following figures — 5,000 oxen; 2,000 ploughs; 4,500 threshers; 2,500 hand or push carts; 100 small motorized ploughs; and 5 tractors, equaling about

\$1,000,000 (500 million FCFA). The most commonly used agricultural equipment cost varies between \$1,000 and \$4,000 (500.000 FCFA to 2.000.000 FCFA) depending on the nature of the equipment and specific need for materials per agricultural entrepreneur.

Nyesigiso, the first microfinance institution to give mid-term credit in the zone, has established a line of credit with OIKO Credit (a Dutch organization) to support this new service. The official launch of the new product in May 2005 has excited hundreds of agro-entrepreneurs who have expressed an interest in obtaining mid-term credit to improve their agricultural operations and increase their production and profits. Mali Finance will work with the other two microfinance institutions in the zone to facilitate the introduction and availability of mid-term credit at these institutions as well. Currently, the main constraint for these two institutions is the lack of long-term financial resources. Mali Finance will provide technical assistance to strengthen their financial structure and organization to ensure that the banks will give them a credit line for mid-term credit in the near future. The combined benefits of launching mid-term credit in Mali responds to the overall strategic objective of USAID/Mali, which is to reduce poverty by increasing production and revenues for agro-entrepreneurs.



Supporting Business Advisory Bureaus in Mali

Ensuring an increase in the provision of Business Development Services to entrepreneurs in Mali has led Mali Finance to develop strategies for strengthening the capacities of business advisory bureaus.

The three partner projects developed under the Accelerated Economic Growth Strategic Objective of USAID/Mali, Prodepam, TradeMali, and Mali Finance, depend on the collaboration of independent local consultants and local business advisory bureaus as technical partners to offer business development services to agro-entrepreneurs in Mali.

In reviewing the capacity of these technical partners, several problems limit their ability to assist USAID-supported projects:

- The majority of the advisory bureaus have limited human resources capacity. Sometimes the bureau will rely completely on the individual who created the bureau and who tends to be in charge.
- A lack of specialization limits a bureau's capacity to assist entrepreneurs. Most advisory bureaus include generalists, who offer a range of services, including information technology, management, construction, or public services. This lack of specialization exists because of the tightness of the market and the irregularity of the clients' demand for services.
- The lack of initiative to regroup efforts and expertise to become stronger and gain new markets, especially in the interior of Mali at the regional level.
- The absence of a training plan and development strategies at the advisory bureaus. Most of the consultants that work for advisory bureaus have not been trained properly to improve and increase their capacity. Most advisory bureaus do not have a well-developed strategy to uphold the market. Often, this is the case because bureaus were created due to the (temporary) availability of donor project implementation funds.
- The lack of a moral code for the management advisory profession — this type of code is not respected in this professional field.
- The advisory/consulting sector is not well organized.

Due to these problems, the three USAID-sponsored projects jointly organized a training session called "Expand Your Consultancy Enterprise and Augment its Profitability," which took place in December 2004 at the BDM bank and was facilitated by two trainers. Twenty-two people participated in this training, which represented 17 advisory bureaus. The general objective of the training was to improve the strategic and technical competence of the Malian consultants participating in these sessions by giving those tools to help them respond better to the needs of enterprises and financial institutions of any size.

Because of the training, the consultants and advisory bureaus can now identify the importance of and the need for consultancy services for enterprises in Mali. Having gained valuable management knowledge, they should manage their advisory bureaus by using appropriate project management tools to ensure increased efficiency and profitability. This training should also inspire them to pursue new and foreign opportunities to develop strategies to increase the growth of Malian advisory bureaus. Some examples are:

- Develop marketing strategies to expand and diversify the variety of services available to enterprises.
- Position them in a market that offers sustainable services.
- Efficiently manage their advisory bureau (good leadership, transparent organization, contract management, prepared services proposals).
- Develop strategies to regroup advisory bureaus into consortiums or holdings.

Consultants and advisory bureaus should now work jointly towards professionalizing the management advisory sector in Mali by developing a moral code that governs this profession and assuring its adoption by the National Federation of Consultants in Mali (FENACOM).

Making Francs with Micro Plan

Micro Plan, a training program developed by Making Cents, is penetrating the business development services market in Mali as more and more entrepreneurs understand the importance of using better business management practices.

Launched officially in March 2004, Mali Finance has been able to introduce the Micro Plan training module by subcontracting with Making Cents Inc., an American organization specialized in developing training modules for enterprise development activities in developing nations. Initially, the project was challenged by the existence of other training packages like GERME, CREE, CEFE² that had already been introduced in Mali. However, this training module's approach is unique, and offers an interactive and participatory program with exercises, discussions, and group work. The package gives complete training on the fundamental issues related to business management techniques for micro and small enterprises, and focuses on two main aspects, the enterprise development spirit and the management of an enterprise. The Micro Plan training consists of four separate modules: the essentials of business development, business simulation, planning of business activities, and the generation of business ideas. The training can be given to trainers and individual entrepreneurs and is being developed in both French and Bambara to facilitate full comprehension.

The introduction of Micro Plan was based on three basic principles to ensure high quality training. First, the Micro Plan training module distinguishes itself from other training packages based on the following elements:

- The animation method is based on simulations. This method allows an illiterate target population to participate in the simulations that confront participants with real life situations of competitive markets.
- Each Micro Plan training facilitator has a training kit at his/her disposal that consists of original, durable, and adaptable training tools and materials.
- Each trainee receives a manual for the entrepreneur, which can be used during and after the training session.

Secondly, the quality and competence of the Micro Plan training facilitators is ensured by using well-defined selection criteria that relate to the facilitator's academic background and level of experience giving management training to adult audiences. Once selected, the facilitator receives in-depth training in using, organizing, and presenting the Micro Plan training modules. To become a Making Cents certified training facilitator, each trainee has to successfully organize and facilitate a minimum of two training sessions.



Micro plan training tool: understanding the importance of different aspects of enterprise development

² GERME and CREE had been introduced by the International Labor Organization and CEFE by the German Technical Development Agency (GTZ).

Finally, the following quality standards were initially developed by Mali Finance to introduce the Micro Plan training sessions:

- The training sessions were organized by Mali Finance and were to take place in the training facilities at the Bamako office location to ensure the availability of enough space, equipment, and materials at the training site.
- Mali Finance chose the two facilitators who would lead each training session, monitor the training level of effort, and assure follow up during the training sessions in terms of logistics, contents, and methodology.
- Over time, Mali Finance has developed an image around the Micro Plan module by presenting it to any interested party. Agro-entrepreneurs generally develop an interest in the training after receiving information about the importance of this module in developing or expanding their enterprise. Once an entrepreneur has opted to enroll in the training program, the entrepreneur and the training facilitator sign a contract to formalize provision of the training.

Malian '*pisteurs*' become even more business savvy

Women managing the mango harvest, collection, and marketing process (called '*pisteurs*' in French) in Mali have benefited from the Micro Plan training as well. During an evaluation session in Sikasso, many of them confirmed that the business management tools provided in the training modules enabled them to generate a cost-benefit analysis of their past activities, organize and plan future actions, and as a result, budget for any costs associated with their activities. Their budgets now include all costs related to the harvest, collection, transportation, and marketing of mangos, also taking into account costs for labor and materials. Having a complete overview of all their costs allows them to negotiate their business with their clients.

The action plan developed at the end of the training programs allows Mali Finance to monitor the entrepreneurs and give additional technical assistance if needed on specific activities or objectives outlined in their plan. Through follow up, Mali Finance will give the necessary assistance to individual entrepreneurs.

To increase the impact and outreach of this business development service in the future, Mali Finance is currently developing strategies to diffuse and multiply the benefits of the Micro Plan training module. At present, collaboration exists with the U.S. Peace Corps and the National Federation of Artisans of Mali (FNAM). Other potential opportunities for disseminating information this coming year will be through the LAYIDU WARI³ and other USAID partner projects.

The results achieved since the launch of this training module prove the success of introducing Micro Plan in Mali. Thirty Micro Plan training facilitators have been trained, representing the district of Bamako, and the regions of Segou, Sikasso, Mopti, Gao, and Tombouctou.

The following two stories highlight the achievements of some beneficiaries of the Micro Plan training, which demonstrates the success of introducing this module and its importance to the businesses of entrepreneurs and income-generating associations.

³ LAYIDU WARI is an association for the promotion of women, which is on its way in becoming a registered microfinance institution. The association focuses mostly on income-generating activities for women.

Increasing the efficiency of the Multifunctional Women's Association

In November 2004, 17 agro-entrepreneurs were trained in Micro Plan in Kabara, Region of Tombouctou. Among the trainees, two members of the Multifunctional Women's Association participated, representing their 21 member organization. The activities of the association focus largely on marketing and transforming cereal, soap making, cloth dying, and animal feed production. One of their most recent activities has been the purchase, storage, packaging, and sale of rice.

The association buys the paddy when prices are low right after harvest, and sells it some months later when prices have increased. They even provide cash loans to rice producers, which are paid back in kind (bags of rice) right after the rice harvest. When the rice is sold, it will bring in much more than the cash loan initially given out. *"We never used to calculate our costs and benefits correctly and we tended to sell the cereal when prices were still fairly low. Our storage facility now allows us to store the cereal*



Cereal storage facility shown by Hawa Traore, President of the association

and we can wait until the price is at its highest before we sell the product," says Hawa Traore, president of the association. Fatalmadane Maiga, Administrative Secretary adds to this, *"During the training we understood that it takes hard work and good planning to be successful. We now have well defined tasks for all our members, we work in a more organized manner, and everybody knows their responsibilities. Working with this approach is starting to bear fruit to our association."*

Now that the association is better organized and an accounting system is in place, they are ready to work with the local microfinance institution DOT⁴, which already worked with the individual members of the association. The association will not limit itself to seeking assistance from DOT, but will also approach other projects including TradeMali to obtain a seasonal storage credit.

Commercialization of dairy products by an agro-pastoral cooperative

Since its creation in 1977, the agro-pastoral cooperative in Kabara has been involved in livestock breeding, animal feed production, rice cultivation, and reforestation, and the transformation and commercialization of dairy products.

Being a well-established cooperative in the Tombouctou region, several of its members have received different training over time. *"The Micro Plan training we received through Mali Finance has been one of the best trainings we have ever received,"* says Ibrahim Amadou Maigo, responsible for supplies for activities of the cooperative. He adds, *"The training themes are important, comprehensible, and adapted to our problems. After receiving this training our revenue for activities related to transforming dairy products has increased by about 15 percent. Moreover, improvements have been made in many of our other activities. Each member now provides an accounting summary for each of his or her activities, which is then provided to the*

⁴ Dourey Tombouctou (DOT) is a micro finance institution based in Tombouctou, which receive technical assistance from Mali Finance.

general office of the cooperative. This has allowed us to better understand the weight and importance of each activity for the cooperative as a whole.”



**Yoghurt produced, packaged
and sold in Kabara**

“The Micro Plan training has increased our confidence level and enabled us to improve the management of our activities. In collaboration with Mali Finance, we hope to work towards the possibility of obtaining credit from DOT to further develop our cooperative,” says Aguisa Yattare, president of the cooperative.

The cooperative, consisting of 47 members including 15 women, has specialized in transforming dairy products and is known throughout the Tombouctou area for its activities. The cooperative wants to increase the value of milk produced locally and have benefits return directly to the local population. Members of the cooperative and livestock owners in neighboring villages supply the milk used for transformation activities. Once the milk is collected and boiled, it is packaged in plastic sachets and sold, or transformed into yoghurt and commercialized. This activity has become so well known in the Tombouctou area, that anyone looking for quality milk or dairy products approaches the cooperative. As a result, the cooperative set up an office that provides better hygiene and from where dairy products are being sold.



The Creation of a new Investment Promotion Agency in Mali

With the help of Mali Finance, MIGA/World Bank and USAID, the Government of the Republic of Mali is expected to soon turn the page and take the lead in creating a new structure that will attract and promote national and foreign investment in Mali.

An evaluation conducted by MIGA⁵ on the institutional needs of the CNPI⁶, and the different discussions held between the technical assistance team of Mali Finance with the director of the CNPI, the World Bank, and USAID have concluded that the CNPI in its current form cannot succeed in attracting foreign investment to Mali.

To respond to this situation, USAID proposed to finance a study to examine the basic needs and requirements for creating a new institutional structure for investment promotion. The objective of this study was to propose a revised structure for an institution that would be in charge of the combined current activities for the CNPI and the AZI-SA⁷, and include the registration of enterprises that were part of the “one stop shop” system⁸.

Two specialists in the field of industrial zone development and investment promotion were recruited to conduct this study in collaboration with a business jurist, a study coordinator, and Mali Finance, who was responsible for providing the legal and regulatory framework. The investment promotion team at Mali Finance also provided the technical assistance necessary for developing the study and participated in discussions and meetings between the consultants and government representatives or private business owners implicated in the investment promotion environment in Mali.

The final report consists of the analyses of the current investment promotion structure, the development of the industrial zones, and the registration of the enterprises in Mali. It also gives recommendations based on the evaluation of the findings, of previous analysis done, other experiences in Africa, and internationally recognized best practices. This report was submitted by Mali Finance to USAID, the World Bank, and the Ministry of Investment Promotion in August of 2004, after which a workshop was organized by the ministry to present the findings.

The report concluded that a new investment promotion agency should respond to the following needs and tasks:

- Become the principal platform to launch efforts in the political environment to improve the investment climate in Mali;
- Present Mali in a proactive way as a potential investment destination by using modern targeting techniques;
- Serve as the central authority to facilitate and authorize the start up of feasible investment opportunities; and

⁵ MIGA is the Multilateral Investment Guarantee Agency of the World Bank

⁶ CNPI is the National Center for Investment Promotion (Centre National de Promotion d'Investissement) in Mali.

⁷ AZI is the Agency for establishing and managing industrial zones in Mali (Agence pour l'Amenagement et la gestion des zones industrielles).

⁸ The one stop shop system is called '*guichet unique*' in French.

- Develop up-to-date regulations and conditions to attract private promoters who could establish their businesses in the industrial zones of Mali.

“I managed the CNPI for some months, and I have realized that it will not work the way it is currently structured, and there is a great need to put a new and more efficient agency in place. This is not only my conviction, but also that of the Minister of Investment Promotion,” says Mr. Oumar Dia, former General Director of CNPI, and current General Secretary of the Ministry of Investment Promotion.

During the last mission of MIGA to Bamako in May 2005, Mali Finance worked in close collaboration with the MIGA consultants and the Ministry of Investment Promotion to begin putting in place a new Investment Promotion Agency in Mali. Because of different meetings, which were held with representatives from the government and the World Bank, a draft budget for this new structure was elaborated and a list outlining key activities was developed to initiate the establishment and conception of Mali Invest.

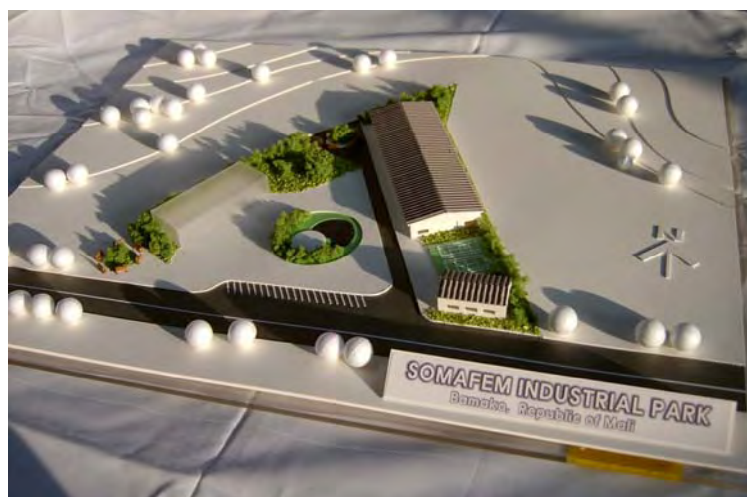
The text for the degree and law supporting the creation of this new investment promotion agency was approved in August 2005 by the Cabinet of Ministries, and will soon be presented at the National Assembly for their approval. We do not expect the adoption and approval of the law by the National Assembly to be problematic, which means that Mali will have a new investment promotion agency in the near future. Mali Finance is prepared to assist the government in ensuring that this new agency becomes operational and functions well over the next few years.

Investing in a Promising Joint Venture - Société Malienne de Fabrique d'Emballage (SOMAFEM S.A.)

With the technical and financial assistance of Mali Finance, a cardboard making factory is getting off the ground in Samaya, in the Nienemba industrial park, on the outskirts of Bamako.

One of the constraints to exporting fresh or processed agricultural products is the lack of national companies that fabricate carton-packaging products. The demand for carton packaging for the export of the agricultural products is very high, but the offer is limited to the imported products from neighboring countries like Burkina Faso, the Ivory Coast, and Senegal. To satisfy this crucial demand, Mr. Traore, Malian business person, is initiating a project to produce carton-packaging materials.

In June 2004, the promoter requested technical assistance from Mali Finance to help mobilize resources to finance his project.



The total cost of this proposed project rises to 3.5 billion FCFA (about 7 million US\$), of which 2.5 billion FCFA will consist of loans and 1 million FCFA will come from personal capital stock. In providing support to this investment initiative, Mali Finance assisted in two working sessions with the evaluation team of the BOAD (West African Development Bank) and the promoter on this request.

The initial evaluation of the project done by the BOAD was encouraging, as they agreed in principle to finance the investment project, provided the promoter would comply with the following:

- 1) Open the capital of the company to other investors: request capital investment from other market players, such as a South Korean company MK International and two of the main carton consumer and purchasing companies in Mali; and
- 2) Carry out a sub-regional market study on carton packaging materials, with a specific focus on Burkina Faso and Niger.

Through the partnership with Mali Finance, the promoter requested additional support for developing and conducting the market study requested by the BOAD, which had been made a condition for the submission of the final resource request to the council scheduled to take place in March 2005 at the BOAD.

Taking into account the relevance of the project, the level of the promoter's personal contribution, interest expressed by BOAD and other local banks for this project, and the anticipated impact a project like this could have on the export potential of fruits and vegetables, Mali Finance decided to give technical and financial support to complete the necessary studies.

Mr. Traore also contributed to the costs of a consultant, who was identified jointly. This co-financing mechanism allowed for the successful completion of the market study.

“Thanks to the support of Mali Finance, the project is getting off the ground,” says Sékou Boukadary Traore, a young ‘self made man’, President and Director of SOMAFEM SA.

Once the market study was finalized, it was presented to the BOAD. Originally, the document was to be presented to the council in March 2005. The promoter, however, decided to use new technology in collaboration with the South Koreans that required new equipment instead of the second-hand European materials that were also available. This new option has reduced the cost of this investment project considerably, but also obliged the BOAD to carry out another evaluation mission with the new South Korean partners. During recent months, representatives of MK International in Bamako have discussed BOAD’s mission in Lome. Because of this mission, the promoter was invited to Lome on June 13, 2005 to further negotiate his proposed project. After his return, Mr. Traore informed Mali Finance that the negotiations on the conditions of his loan with the BOAD went well very well. However, the BOAD has requested additional complementary information from the promoter.



Working session of Mr. Traore with Mahamoud Magassouba, investment specialist at Mali Finance

Mali Finance assisted SOMAFEM in developing a document relating to the different questions and requests for additional information to provide a professional response for submission to the BOAD. A number of working sessions were held with the resident representative of the BOAD in Mali on the SOMAFEM dossier. Because of the discussions held and the complementary information provided, the resident representative will present the dossier at the next meeting of the BOAD committee in Lome, which will convened on September 5, 2005.

Based on the most recent developments, we hope that this project will be financed. This project is a great opportunity for producers and exporters of agricultural produce. We are confident that SOMAFEM will help reduce production costs and contribute to the increase in the export of the agricultural produce, an area where TradeMali, another USAID funded project, is making significant contributions.

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